

陆金所控股 LUFAX

Lufax Holding Ltd
陆金所控股有限公司

(A company incorporated in the Cayman Islands with limited liability)
Stock Code: 6623

LISTING BY WAY OF INTRODUCTION

Joint Sponsors

J.P.Morgan

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Financial Advisor



中国平安资本(香港)
PING AN OF CHINA CAPITAL (HONG KONG)

IMPORTANT

Important: *If you have doubt about any of the contents in this document, you should obtain independent professional advice.*



Lufax Holding Ltd 陆金所控股有限公司

(A company incorporated in the Cayman Islands with limited liability)

LISTING BY WAY OF INTRODUCTION ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Stock code: 6623

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This document is published in connection with the listing by way of introduction on the Main Board of The Stock Exchange of Hong Kong Limited of the Shares of Lufax Holding Ltd, a company that is presently listed on the New York Stock Exchange. This document contains particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to the Group.

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Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document. Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, the Shares following the Introduction is set out in the section headed "Listings, Registration, Dealings and Settlement" in this document.

April 11, 2023

EXPECTED TIMETABLE

If there is any change to the following expected timetable of the Introduction, we will issue an announcement to be published on the websites of our Company (ir.lufaxholding.com) and the Hong Kong Stock Exchange (www.hkexnews.hk).

Commencement of investor education activities as described in the section headed “Listings, Registration, Dealings and Settlement—Investor Education” in this listing document from Tuesday, April 11, 2023

- dissemination of electronic copies of this listing document through the respective websites of our Company at ir.lufaxholding.com and the Hong Kong Stock Exchange at www.hkexnews.hk

Daily announcement released on the respective websites of the Stock Exchange at www.hkexnews.hk and our Company at ir.lufaxholding.com, disclosing the previous day closing price (in both US dollars and Hong Kong dollars for reference), trading volume and relevant historical trading data of our ADSs on NYSE, and developments and updates, if any, with regard to bridging and liquidity arrangements described in the section headed “Listings, Registration, Dealings and Settlement” in this listing document on Tuesday, April 11, 2023, Wednesday, April 12, 2023 and Thursday, April 13, 2023 and not later than 8:30 a.m. on Friday, April 14, 2023

Dealings in our Shares on the Hong Kong Stock Exchange expected to commence on 9:00 a.m. on Friday, April 14, 2023

Note: All dates and times refer to Hong Kong local dates and times, except as otherwise stated

Particulars of the Introduction are set out in “Information about this Document and the Introduction” in this listing document.

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IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this document to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, any of our or their respective directors or any other person or party involved in the Introduction.

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any investment. Some of the particular risks of investing in the Shares are set out in the section headed “Risk Factors.” You should read the entire document carefully before you decide to invest in the Shares. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of Technical Terms.”

OVERVIEW

Who we are

We are a leading financial services enabler for small business owners (“SBOs”) in China. Our mission is to foster small business competitiveness and sustainability by providing individual entrepreneurs with access to financial products and services and empowering institutional partners to reach and serve SBOs efficiently.

SBOs include both owners of legal entities and individuals who conduct their business as sole proprietors. SBOs often own and operate multiple small and micro businesses (“SMBs”), either consecutively or concurrently, in the same or related industries and at different stages in their lifecycles.

We offer financing products designed principally to address the needs of SBOs. In doing so, we have established relationships with over 550 financial institutions in China, many of which have worked with us for over three years. These financial institutions provide funding and credit enhancement for the loans we enable as well as other products to enrich the SBO ecosystem that we are creating.

We consider ourselves a non-traditional financial service provider, by which we mean we apply cutting-edge technology to the enablement of transactions by traditional financial institutions, such as banks, which are licensed to accept deposits and make loans but which are limited in their market reach in certain respects by their reliance on traditional offline business practices.

Enablement means that we make it possible for financing transactions to occur, by connecting financial institutions to borrowers they would not otherwise reach, providing or arranging credit enhancement services to allow loans to be made, and providing post-origination services such as collection services, and value-added services and tools.

Through our offline-to-online model supported by our nationwide direct sales network, we have served a total of over 4.6 million, 5.9 million, and 6.6 million SBOs in China since the beginning of our business in 2005, as of December 31, 2020, 2021 and 2022, respectively. The total outstanding balance of loans we enabled was RMB545.1 billion, RMB661.0 billion and RMB576.5 billion (US\$82.9 billion) as of December 31, 2020, 2021 and 2022, respectively. We ranked second among non-traditional financial service providers for SBOs in China in terms of total outstanding balance of inclusive SMB loans as of June 30, 2022, with a market share of 17.6%.

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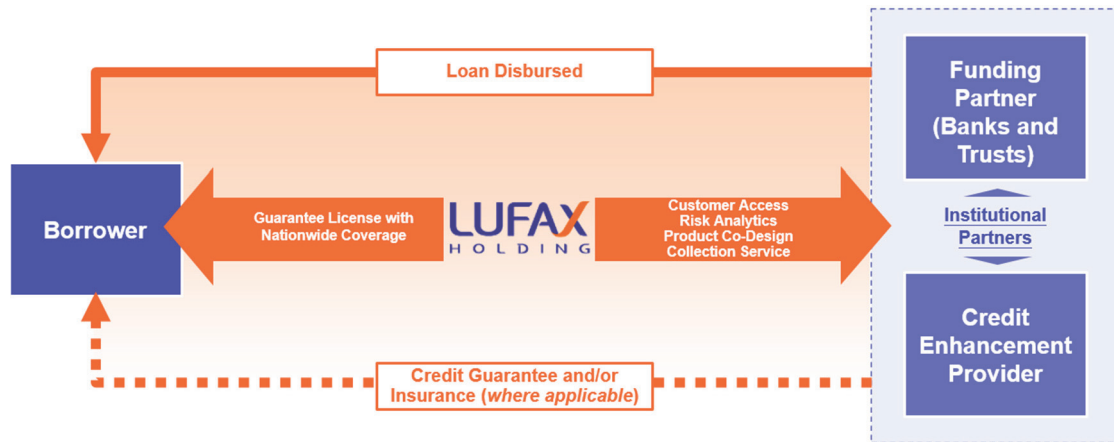
What we do

We are primarily engaged in the enablement of loans in China. We enable loans under two distinct business models. Approximately 99.3%, 98.2% and 94.9% of the total outstanding loans we had enabled as of December 31, 2020, 2021 and 2022, respectively, are loans we enabled under our core retail credit and enablement business model. These are large-ticket loans, having an average ticket size of RMB164,483, RMB199,502 and RMB240,179 for general unsecured loans enabled in 2020, 2021 and 2022, respectively, and RMB390,467, RMB430,795, and RMB438,675 for secured loans enabled in 2020, 2021 and 2022, respectively. The remaining 0.7%, 1.8% and 5.1%, respectively, consist of loans we had enabled through our licensed consumer finance subsidiary. These are small-ticket loans, having an average drawdown of RMB3,301, RMB3,797, RMB5,979 in 2020, 2021 and 2022, respectively. The enablement of loans accounted for nearly all of our total income in the Track Record Period. In addition to the enablement of loans, we have also begun to refer borrowers to banks through a product that we have branded Lujintong (陸金通), which accounted for less than 2% of our total income during any year.

We operate our core retail credit and enablement business model under the Puhui brand. Puhui targets SBOs who require larger ticket size loans on short notice for imminent operating commercial needs of their businesses, and to a lesser extent also salaried workers dealing with major life expenses. Puhui enables two types of loans, which we refer to as general unsecured loans and secured loans. We do not fund these loans ourselves. We have two sources of funding for these loans, namely, banks and trusts, which we refer to collectively as our funding partners. We also arrange for credit enhancement for these loans through third-party credit enhancement providers or our own licensed financing guarantee subsidiary. Our financing guarantee subsidiary and third-party credit enhancement providers both offer credit enhancement services from the borrowers' perspective. Our financing guarantee subsidiary provides credit guarantee to the borrowers, while insurance companies within our third-party credit enhancement providers offer credit guarantee insurance. Both credit guarantee and credit guarantee insurance refer to the same type of guarantee services. However, the nomenclature is different as guarantee companies and insurers operate under different licensing regimes. We refer to our funding partners and the third-party credit enhancement providers together as our institutional partners. Our ability to connect SBOs and other borrowers with similar needs to lenders and to make those loans possible through credit enhancement and a variety of other services is central to our value proposition.

SUMMARY

The following chart illustrates how we enable borrowers and institutional partners through our core retail credit and enablement business model.

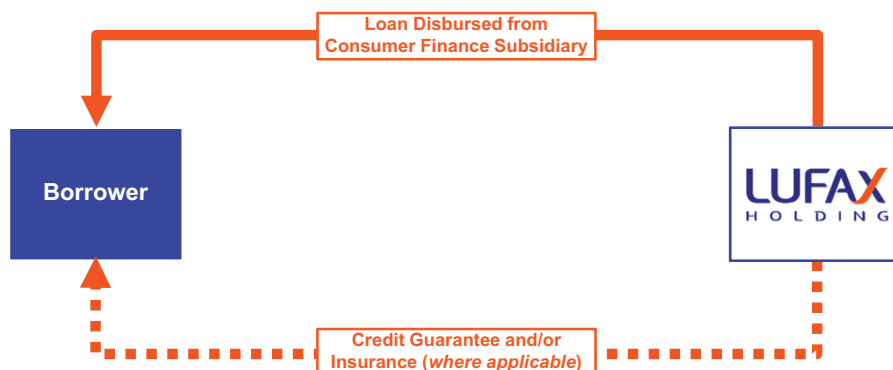


We used to adopt a loan facilitation model before the Track Record Period. In 2018, we began the transformation of our business using a joint guarantee arrangement to share credit risk through our financing guarantee subsidiaries with our third party credit enhancement providers, and subsequently increased our risk sharing since late 2020 for a number of reasons. By accepting some credit risk on the loans we enable, we align ourselves more closely with trends in PRC government policy for non-traditional financial service providers. Taking credit risk also allows us to share borrower data with our institutional partners in a manner that is compliant with PRC regulatory requirements. Taking risk signals to our funding partners that we have confidence in our credit analysis, and it also gives us more flexibility in coping with fluctuations in the price for credit enhancement. As of December 31, 2020, 2021 and 2022, the outstanding balance of loans which we bore credit risks totaled RMB32.2 billion, RMB109.8 billion and RMB135.4 billion (US\$19.5 billion), respectively, and the corresponding amounts of provision were RMB1.7 billion, RMB5.5 billion and RMB12.8 billion (US\$1.8 billion), respectively. In 2020, 2021 and 2022, we made a payment of RMB0.7 billion, RMB1.5 billion and RMB6.8 billion (US\$1.0 billion), respectively, to our funding partners for claims against defaults.

Our consumer finance subsidiary targets consumers in China who need small-ticket loans, typically to meet personal short-term cash flow needs or to make discretionary purchases of consumer goods. As a licensed entity operating in a highly regulated field, it operates separately from Puhui and follows its own distinct business model. The market for consumer finance loans is complementary to the market for the large-ticket, long-tenor loans that are enabled by Puhui and the borrowers typically do not overlap.

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The following chart illustrates how we enable borrowers and institutional partners through our consumer finance model:



The following table shows some of the characteristics of the loans enabled by us through Puhui, in the case of general unsecured loans and secured loans, and through our consumer finance subsidiary, in the case of consumer finance loans, for the years indicated:

	For the Year Ended December 31,		
	2020	2021	2022
Average ticket size (RMB)			
General unsecured loans	164,483	199,502	240,179
Secured loans	390,467	430,795	438,675
Consumer finance loans (drawdown)	3,301	3,797	5,979
Average APR for new loans (%)			
General unsecured loans	26.7	22.6	21.1
Secured loans	17.4	16.2	15.7
Consumer finance loans	19.1	20.3	20.6

In addition to loan enablement, we have also begun to refer borrowers to banks through Lujintong. These are borrowers who do not belong to the target customer segment for Puhui but who might qualify for loans directly from banks. We do not provide any funding or bear any credit risk on any resulting loans, nor do we include such loans in our operational data.

Our business model

The following table illustrates some basic facts about our business model.

	Core Retail Credit and Enablement Model		Consumer Finance Loans	Lujintong Referrals
	Bank Funded Loans	Trust Funded Loans		
Outstanding Balance (RMB billions) as of December 31, 2022	356.0	190.8	29.7	Not applicable
% of credit risk borne by Lufax (% of new loans enabled in 2022)	21.3% through financing guarantee subsidiary	21.3% through financing guarantee subsidiary	Majority through consumer finance company	None
Funding by Lufax	None	None	100% through consumer finance company	None

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	Bank Funded Loans	Trust Funded Loans	Consumer Finance Loans	Lujintong Referrals
Balance Sheet Treatment	Off-balance sheet guarantee liability	100% consolidated due to IFRS 10 ⁽¹⁾	100% consolidated	Not applicable
Income Recognition	<ul style="list-style-type: none"> • Retail credit and enablement service fees • Guarantee fees 	Net interest income	Net interest income	Referral income from platform services

Note:

(1) Based on new loans enabled in 2022.

Please see “Business—Our Business Model” for more details.

Our market opportunity

Small and micro businesses (“SMBs”) constitute a large, growing and systemically important sector in the Chinese economy with strong national policy support. SMBs have contributed over 60% of China’s GDP and over 80% of its job creation, but they have only obtained a disproportionate 26.0% of total financing as of the end of 2021. There were in aggregate approximately 143.5 million SMBs in China as of the same date according to the State Administration for Market Regulation and the National Bureau of Statistics, including 40.3 million small and micro business entities and 103.2 million sole proprietors.

The SMB sector presents numerous challenges to potential lenders and service providers. Typically, SMBs have small scale operations, with fewer than 50 people and less than RMB30 million of annual income, and are dispersed across a wide range of industries and geographies. Moreover, SMBs have an average lifespan of less than five years. SMBs typically lack collateral to pledge or consistency in cash flow given their small scale and short lifespan.

Traditional financial institutions encounter significant challenges in risk assessment of SMBs due to high turnover and limited collateral while non-traditional financial service providers backed by internet companies primarily rely on social and other online behavior data to provide lending with smaller ticket size and shorter tenor.

Given their inefficiency in serving SMBs, traditional financial institutions have been turning to partnerships with non-traditional financial service providers to enable an increasing portion of the inclusive SMB loans that they fund. Inclusive loans are loans that are made to qualified borrowers such as SMBs and individuals who have difficulty accessing large-ticket-size credit, and in China, the CBIRC defines inclusive SMB loans as SMB loans that are extended to a single qualified borrower with a total credit line not exceeding RMB10 million.

According to CIC, the demand from SMBs for credit is expected to remain strong going forward, and the PRC government has also announced a number of favorable policies to support SMBs. As owners of SMBs, SBOs also directly benefit from these positive tailwinds.

As of the end of 2021, the total outstanding balance of inclusive SMB loans in China amounted to RMB20.8 trillion, representing a five-year CAGR of 27.9%, and it is expected to grow further to RMB42.7 trillion by the end of 2026 at a CAGR of 15.5%, according to CIC. The percentage of such loans enabled by non-traditional financial service providers increased from 7.8% in 2017 to 12.9% in 2021 while the balance

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grew at a CAGR of 44.9% over the same period. The proportion enabled by non-traditional financial service providers is expected to increase further to 14.1% in 2026 with the balance growing at a CAGR of 17.7%, outpacing growth of the overall inclusive SMB loan market, according to CIC.

In addition, the outstanding balance of inclusive SMB loans as a percentage of total SMB loans in China increased from 24.9% in 2017 to 41.3% in 2021, and is expected to increase further to 50.2% in 2026, demonstrating significant room as well as willingness for financial institutions to reach previously underserved SMB borrowers.

Our value propositions to SBOs and financial institution partners

Our market leadership in the SBO segment is underpinned by our ability to integrate the resources of our customers and partners, namely SBOs and financial institutions, and to create value for them.

Our value proposition for SBOs includes (i) attractive products, (ii) personal engagement, and (iii) fast and convenient online experience. Our value proposition for financial institutions who are our funding, credit enhancement and product partners includes (i) Extensive customer sourcing, (ii) SBO servicing capabilities (product design, risk analytics, post-loan service), and (iii) compliant and balanced risk sharing. Please see “Business—Overview—Our value propositions to SBOs and financial institution partners” for more details.

Value creation through ecosystem approach

To further strengthen our business model, we launched a new small business owner value-added services platform in November 2022, to foster the growth of an SBO ecosystem that will create greater value for SBOs by deepening connectivity, content and operational service offerings. We have begun to bring in additional service providers to give SBOs access to broader offerings beyond financial products. These include a forum for information exchange, social networking and a suite of digital SaaS solutions. Together, these provide SBOs the necessary connectivity and tools for more effective customer acquisition, easier transaction making and overall improved efficiency.

As our ecosystem evolves, we can deepen the connectivity and engagement between different core participants, enhancing our value creation. We will be able to onboard a much broader set of SBOs to our ecosystem beyond just SBOs with immediate funding needs. By offering comprehensive services to our SBO customers both before and after their financial transactions, we are transforming ourselves into a SBO lifecycle advisor. We believe that this will increase the frequency and depth of customer engagement and enhance the longevity of our customer relationships. The ecosystem is designed to generate powerful self-reinforcing network effects, reinforcing engagement intensity with more customer service offerings, leading to higher customer conversion rate, lower acquisition costs and longer customer life span, thereby lifting our customer lifetime value.

Relationship with credit enhancement providers

In our core retail credit and enablement business model, how much credit risk we take on ourselves depends on a dynamic mix of commercial factors, including the pricing of third-party credit enhancement and the willingness of our funding partners to bear risk, as well as regulatory guidance. Our loan

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enablement can be done either with or without third-party credit enhancement, and if the cost of third-party credit enhancement is not commercially attractive or our credit enhancement providers, including Ping An Group, encounter any difficulties in continuing to provide credit enhancement services, we will increase the proportion of loans for which we bear credit risk, depending on the balance of risk and reward. The percentage of outstanding loans with credit risk exposure for our company was 6.3%, 16.6% and 23.5% as of December 31, 2020, 2021 and 2022, respectively. Going forward, we intend to increase the percentage of outstanding loans with credit risk exposure for our company to at least 30%.

Due to the effects of COVID-19 lockdowns and other associated macroeconomic challenges on the Chinese economy, the cost of third-party credit enhancement remains at elevated levels, reflecting the historical loss experience on older vintages of loans. Furthermore, we remain conscious of the possibility that the PRC government will continue to encourage players in our industry to bear more risk on the loans that they enable or impose new restrictions on the use of third-party credit enhancement. For both of these reasons, we are looking to increase the amount of credit risk that we bear through our licensed financing guarantee subsidiary on the loans we enable, and continually reassessing the terms of our cooperation with third-party credit enhancement providers.

The financial impact of our increasing risk bearing through providing a higher proportion of guarantee on the loans we enable depends on the expected credit loss when pricing our guarantee and the actual credit loss incurred. We will generate incremental profit if actual credit loss is in line or lower than the expected credit loss, and on the other hand our earnings will be negatively impacted if actual credit loss exceeds the fees we earn from providing the guarantee. In today's environment, third party credit enhancement providers are setting their prices higher than usual due to a more cautious assessment of future expected risk after incurring higher historical losses. Our extensive experience in post-loan monitoring and collection services gives us first-hand information regarding the latest market conditions and credit performance trend of the borrowers which allows us to reflect such into appropriate guarantee pricing with little time lag. As we expect macroeconomic recovery to be underway, we believe our shift towards targeting borrowers with higher creditworthiness will improve the asset quality on newer vintages and likewise improve the financial performance of the credit enhancement that we provide. If our expectations prove to be correct, this would be a favorable time from a risk/reward perspective to increase the level of credit enhancement that we provide. However, the possibility that increasing impairment losses would outweigh higher credit enhancement premiums still remains a risk.

Relationship with funding partners

We have ongoing discussions with our funding partners regarding our cooperation with third-party credit enhancement partners. The increase in the level of the risk that we bear over the Track Record Period has not affected our cooperation with funding partners to date. In terms of actual progress made, we have initiated dialogues with approximately two thirds of our 81 funding partners, and 10 banks and 5 trust companies among our partners have already agreed to the new arrangement where we do not engage external credit enhancement partners to provide credit enhancement services and we provide 100% of any credit enhancement through our licensed financing guarantee subsidiary. Moreover, our financing guarantee subsidiary is rated AAA by China Chengxin International Credit Rating (CCXI), in line with our current credit enhancement partners such as Ping An P&C. It also enjoys a strong capital position, with net assets of RMB13.4 billion, RMB47.4 billion and RMB47.9 billion as of December 31, 2020, 2021 and 2022,

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respectively, as well as abundant leverage available, with a 1.8x, 1.8x and 2.0x leverage ratio as of the same dates. Thus, we do not expect a significant impact on our relationship with funding partners.

We do not compete with banks for the same type of borrowers. Typical banks are designed to serve customers who demand very large ticket sizes, typically RMB10 million or higher, due to their set-up and cost structure. They generally do not have cost-effective means to reach SBOs and they may lack the required risk management capabilities to properly assess SBO risks. They often have no direct access to borrowers' social data, such as location data, shared contact information and voiceprint data, which leads to difficulties in forming accurate customer portraits. This leads to a reliance on collateral-based assessment, which increases the approval time required and is difficult for many SMBs as they lack collateral that can be pledged. Furthermore, many traditional financial institutions continue to use conventional systems in the risk management process, which still require manual verification and a lengthy paperwork process, and makes loans to borrowers other than large enterprises uneconomical. Banks' risk appetite is also constrained by their preference to keep their non-performing loan ratio at very low levels.

SBOs as individuals may only qualify for small credit amounts, such as credit cards, from banks unless they are willing and able to pledge assets as collateral. Our 17 years of accumulated proprietary data and our AI-driven dynamic risk modeling give us the ability to assess both the SBOs as individuals and their businesses together as a whole to achieve higher precision in credit evaluation and risk-based loan sizing and pricing in China. By arranging for credit enhancement or by providing it ourselves, we enable the banks to get comfortable with making business loans to SBOs both with and without collateral.

As part of the loan enablement process, we also provide post-origination services. Post-origination services include repayment reminders, payment processing, and collection services. Borrowers whose loans are overdue by one day are contacted by AI, and all other borrowers with overdue loans are contacted by a live collection agent. The relatively large average ticket size of the loans that we enable makes it more cost-efficient for us to escalate the collection process for delinquent loans, as compared to platforms that primarily enable small consumer loans. In line with common industry practice, we use third-party collection agencies to collect loans that are delinquent for more than 80 days. We regularly evaluate our agency partner companies based on their performance, service quality and compliance with relevant laws and regulations. See "Business—How We Enable Our Institutional Partners—Loan Servicing and Collection Services."

Borrower Profiles

We had a cumulative total of 19.0 million borrowers as of December 31, 2022. The number of active borrowers for whom we enabled loans increased from 4.4 million in 2020 to 4.9 million in 2021 and further to 4.8 million in 2022.

For the general unsecured loans we enable, we rank qualified borrowers on a scale of one to six, where R1 is the highest quality (lowest risk) and R6 is the lowest quality (highest risk). We apply a list of key criteria including operating history, scale, cash flow stability, credibility of shareholders and industry segment to come up with the risk rating based on a formula. Borrowers are then ranked between a score of 0 to 400. Borrowers with a score higher or equal to 280 are ranked as R1. For a detailed summary of the DPD 30+ delinquency rate, the DPD 90+ delinquency rate, the APR and the volume of new loans by credit score category on our recently adopted borrower quality ranking system for general unsecured loans (excluding

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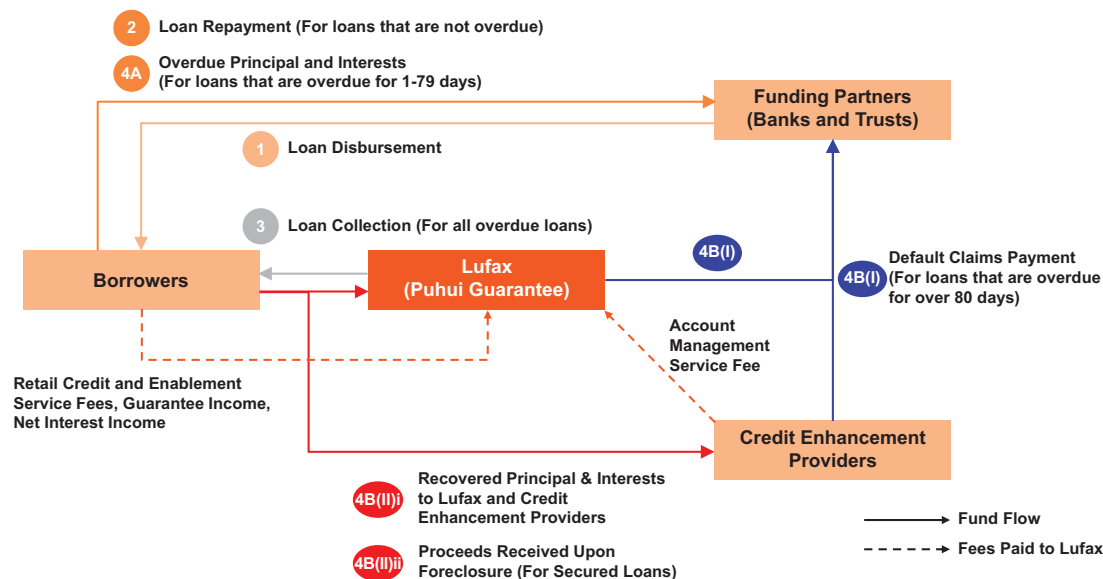
top-ups on existing loans) enabled by Puhui, see “Business—How we Enable our Institutional Partners—Borrower Profiles” in this document.

We source borrowers through a variety of channels, including our direct sales force, channel partners and online and telemarketing. See “Business—Sourcing Borrowers.”

The Flow of Funds

The charts below illustrate the flow of funds when loans are enabled by our core retail credit and enablement model and by our consumer finance subsidiary.

Core Retail Credit and Enablement Model



Step 1: Our funding partners will directly disburse loans to borrowers.

Step 2: For normal loans, borrowers will repay the loan principal and interests directly to our funding partners.

Step 3: Once loans become overdue, we will initiate the loan collection process.

Step 4A: For loans that are overdue for 1-79 days, borrowers can still repay the overdue principal and interest directly to our funding partners.

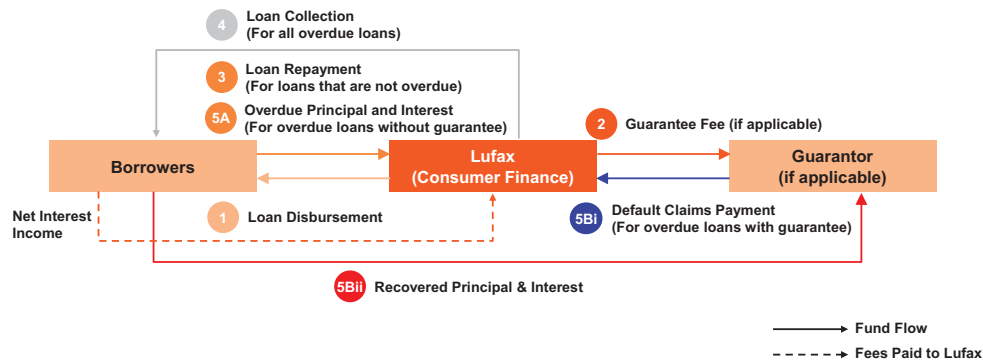
Step 4B(I): Once a loan becomes overdue for over 80 days, under our joint guarantee model where we guarantee the loan under our licensed guarantee subsidiary together with the credit enhancement providers, our licensed financing guarantee subsidiary (Puhui Guarantee) and credit enhancement providers will make the default claims payment to our funding partners, based on the respective guaranteed percentages and pre-agreed arrangements with the funding partners. Default claims payment is severally, not jointly, provided by our financing guarantee subsidiary and third party credit enhancement providers, and our financing guarantee subsidiary is only liable for the default claims payment in respect to the portion that it guarantees.

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Step 4B(II)i: Once we are able to recover the principal and interests from borrowers, our guarantee subsidiary and credit enhancement partners will receive the payments from the borrowers based on the contractual arrangement.

Step 4B(II)ii: For our secured loans, upon foreclosure, we act on behalf of the credit enhancement providers and our financing guarantee subsidiary, disposes of the collaterals via auction or consignment and use the proceeds to minimize or mitigate the losses for credit enhancement providers and our financing guarantee subsidiary, based on the pre-agreed guarantee percentage split.

Consumer Finance



Step 1: Our consumer finance subsidiary will fund the loans and disburse the loans directly to the borrowers.

Step 2: We pay guarantee fee to the guarantor (our financing guarantee subsidiary or third party guarantor) based on contractual arrangements, if the guarantee is in place. There is no joint guarantee arrangement between our financing guarantee subsidiary and third party guarantor. Our third party guarantor does not involve entity of Ping An Group.

Step 3: For normal consumer finance loans, borrowers will repay the loan principal and interest directly to our consumer finance subsidiary.

Step 4: Once loans become overdue, we will initiate the loan collection process.

Step 5A: For overdue loans without guarantee in place, the borrowers will repay the relevant overdue principal and interest directly to our consumer finance subsidiary.

Step 5Bi 5Bii: When loans with guarantee in place become overdue, the guarantor (our financing guarantee subsidiary or third party guarantor) will make the default claims payment to our consumer finance subsidiary for the portion of loans they guarantee based on contractual arrangements. The borrowers will subsequently repay the relevant overdue amount which is guaranteed to the guarantor, and the portion which is not guaranteed to our consumer finance subsidiary. The flow of funds and the contractual arrangement are the same regardless of our financing guarantee subsidiary or third party guarantor being the guarantor.

Operating and financial results

As of December 31, 2020, 2021 and 2022, we have served a total of over 4.6 million, 5.9 million and 6.6 million SBOs since the beginning of our business in 2005, respectively. Our outstanding balance of

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loans to SBOs was RMB370.9 billion, RMB494.5 billion and RMB448.9 billion (US\$64.5 billion) as of December 31, 2020, 2021 and 2022, respectively, representing growth at a CAGR of 10% between December 31, 2020 and December 31, 2022, and accounted for 68.5%, 76.1% and 82.1% of our total loans outstanding as of December 31, 2020, 2021 and 2022, respectively.

Our total volume of new loans grew from RMB565.0 billion in 2020 to RMB648.4 billion in 2021, then decreased to RMB495.4 billion (US\$71.2 billion) in 2022. Our total outstanding balance of loans grew from RMB545.1 billion in 2020 to RMB661.0 billion in 2021, then decreased to RMB576.5 billion (US\$82.9 billion) in 2022.

We have a strong balance sheet position. As of December 31, 2020, 2021 and 2022, our net assets stood at RMB83.2 billion, RMB94.6 billion and RMB94.8 billion (US\$13.6 billion) with RMB24.2 billion, RMB34.7 billion and RMB43.9 billion (US\$6.3 billion) of cash at bank, respectively. Our consumer finance subsidiary had a capital adequacy ratio of 118.6%, 35.6% and 18.2% and our financing guarantee subsidiary had a leverage ratio of 1.8x, 1.8x and 2.0x as of the same dates. Our strong capital position demonstrates our business resilience, and provides a solid foundation for us to navigate through the business cycle. We are focused on delivering value to our shareholders and paid dividends, first annually and then semi-annually, at a dividend payout ratio of 29.4% in 2021 and 32.8% in the first six months of 2022.

Our business has been impacted throughout the Track Record Period by the COVID-19 pandemic and by government policies as they have evolved over time to address it. Our total income grew from RMB52.0 billion in 2020 to RMB61.8 billion in 2021, and decreased to RMB58.1 billion (US\$8.4 billion) in 2022. Our profit before income tax expenses grew from RMB17.9 billion in 2020 to RMB23.4 billion in 2021, and decreased to RMB13.0 billion (US\$1.9 billion) in 2022. We made a net profit throughout the Track Record Period, with net profits that increased from RMB12.3 billion in 2020 to RMB16.7 billion in 2021, and decreased to RMB8.8 billion (US\$1.3 billion) in 2022. We had a net margin of 23.6% in 2020, 27.0% in 2021 and 15.1% in 2022.

We achieved strong profitability from 2020 through the first half of 2022 despite an average APR decline of over 6 percentage points for new general unsecured loans over that period. However, the impact of COVID-19 in 2022 has created greater volatility in our financial performance in the second half of 2022. Our net profits increased from RMB12.3 billion to RMB16.7 billion in 2021, and decreased to RMB8.8 billion (US\$1.3 billion) in 2022. We had a net loss for the fourth quarter of 2022. See “—COVID-19 Impact and Declining Financial Performance” for more information developments after the Track Record Period. While we cannot make any assurances about our future performance, we expect that our focus on serving SBOs and our pivot to serving higher quality customers will drive a U-shaped recovery in our financial performance over time as the impact of the COVID-19 pandemic recedes and as new loan vintages replace older ones.

OUR STRENGTHS AND STRATEGIES

We believe that the following six competitive strengths contribute to our success and differentiate us from our competitors: (i) leading SBO financial service enabler in a large and underserved market; (ii) SBO-centric product design and tailored offerings; (iii) integrated offline-to-online channels best suited to serve SBOs; (iv) robust data-driven risk management capabilities; (v) cutting-edge proprietary technologies; and (vi) experienced management team and strong support from Ping An Group.

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Driven by substantial unmet demand, we aspire to deepen connections among SBOs and between SBOs and institutional partners to create greater value for our customers. We aim to achieve this by the following strategies: (i) further building out SBO ecosystem to deepen customer engagement; (ii) broadening customer and partner reach; (iii) enhancing customer engagement and unit economics; and (iv) deepening data advantage and further leveraging technology.

CUSTOMERS AND SUPPLIERS

We generate income from a large number of small business owners and other retail borrowers in China under our core retail credit and enablement business model. These customers are material in the aggregate but none of them individually is a material customer.

Our suppliers primarily include companies that provide credit-related technology services. In 2020, 2021 and 2022, our top five suppliers accounted for 9.2%, 8.1% and 6.0% of our total expenses for the respective years. Please see “Business—Customers and Suppliers” for more details.

RISK FACTORS

Our operations involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See the section headed “Risk Factors” for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. Some of the major risks we face include:

- Our industry is rapidly changing, and our business has evolved significantly in recent years, which makes it difficult to evaluate our future prospects.
- Our business may continue to be materially and adversely affected by the effects of the COVID-19 pandemic in China, and changes we have made to our business may not be successful in dealing with the effects or the after-effects of the pandemic.
- Small business owners are more vulnerable to economic fluctuations.
- Updates that we are in the process of making to our business model may not be successful.
- Our business is subject to laws, regulations, and supervision by national, provincial and local government and judicial authorities, industry associations and other regulatory bodies. The laws, regulations and official guidance relating to our business are complex and evolving rapidly and may be subject to further changes. Non-compliance with any existing or new regulation may result in penalties, limitations and prohibitions on our business activities, and we have been modifying and may need to continue to modify our business operations in response to changes in laws and regulations.
- We may be unable to source third-party credit enhancement at commercially attractive prices, grow our balance sheet to support our financing guarantee business, or persuade our funding partners to accept guarantees from our financing guarantee subsidiary. Any of these outcomes could materially and adversely affect our business, financial condition and results of operations.

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- The total fees charged to borrowers for loans we enable may be deemed to be in excess of interest rate limits imposed by laws or regulatory authorities. As a result, part of the interest and fees may not be valid or enforceable through the PRC judicial system.
- We incurred and may continue to incur impairment losses on our intangible assets and goodwill.
- Our access to sufficient and sustainable funding at commercially attractive costs cannot be assured.

THE HOLDING FOREIGN COMPANIES ACCOUNTABLE ACT

Pursuant to the Holding Foreign Companies Accountable Act, or the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or the ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor. In May 2022, the SEC conclusively listed Lufax Holding Ltd as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021.

On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, our Directors are of the view that we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file our annual report on Form 20-F for the fiscal year ended December 31, 2022. Based on the Directors confirmation above and after reviewing the announcement released by the PCAOB on December 15, 2022 and the statement released by the Chair of SEC on the same date, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the Directors' view above. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we continue to use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA. See "Risk Factors—Risks Related to Doing Business in China—The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections" and "—Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment."

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KEY OPERATING METRICS

We regularly review a number of operating metrics to evaluate our business, measure our performance, identify trends, formulate financial projections and make strategic decisions.

	As of and For the Year Ended December 31,		
	2020	2021	2022
Number of active borrowers (thousands)	4,382	4,906	4,805
Number of active funding partners	58	66	81
	<i>(RMB in billions except where otherwise indicated)</i>		
Outstanding balance of loans enabled	545.1	661.0	576.5
General unsecured loans	447.8	520.1	423.8
Secured loans	93.7	129.3	123.1
Consumer finance loans	3.6	11.6	29.7
Percentage with risk exposure for our company	6.3%	16.6%	23.5%
Off-balance sheet	426.7	446.3	360.4
Without credit risk exposure	405.7	381.5	291.9
With credit risk exposure	21.0	64.7	68.5
On-balance sheet	118.5	214.8	216.1
Without credit risk exposure	105.3	169.6	149.2
With credit risk exposure	13.2	45.1	66.9
Volume of new loans enabled	565.0	648.4	495.4
Off-balance sheet	423.1	414.2	279.5
Without credit risk exposure	399.8	341.7	219.8
With credit risk exposure	23.2	72.5	59.7
On-balance sheet	141.9	234.2	215.8
Without credit risk exposure	127.2	175.0	125.3
With credit risk exposure	14.7	59.2	90.6
Financing guarantee subsidiary leverage ratio (x) ⁽¹⁾	1.8x	1.8x	2.0x
Net assets of financing guarantee subsidiary	13.4	47.4	47.9
Net assets of Lufax Holding (consolidated)	83.2	94.6	94.8
30 day+ delinquency rate ⁽²⁾ (%)	2.0%	2.2%	4.6%
90 day+ delinquency rate ⁽²⁾ (%)	1.2%	1.2%	2.6%
Cost-to-income ratio ⁽³⁾ (%)	55.0%	48.8%	46.3%
Credit impairment losses	3.0	6.6	16.6

Notes:

- (1) Calculated in accordance with “Supervision and Administration of Financing Guarantee Companies” (《融資擔保公司監督管理條例》). The leverage ratio of the financing guarantee subsidiary is calculated as the outstanding guarantee liabilities of the financing guarantee company divided by its net assets.
- (2) Excluding consumer finance business.
- (3) Calculated as the sum of sales and marketing expenses, general and administrative expenses, operation and servicing expenses, technology and analytics expenses divided by total income.

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this documents, including the related notes. Our consolidated financial information has been prepared in accordance with IFRS.

Consolidated Statements of Comprehensive Income

The following table sets forth a summary of our consolidated statements of comprehensive income for the years indicated, both in absolute amounts and as percentages of our total income. This information should be read together with our consolidated financial statements and related notes in Appendix I of this listing document. The operating results in any year are not necessarily indicative of the results that may be expected for any future year.

	For the Year Ended December 31,			
	2020	2021	2022	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(US\$)</i>
	<i>(in millions)</i>			
Total income	52,046	61,835	58,116	8,357
Total expenses	<u>(34,136)</u>	<u>(38,435)</u>	<u>(45,102)</u>	<u>(6,485)</u>
Profit before income tax expenses	17,910	23,400	13,013	1,871
Less: Income tax expenses	<u>(5,634)</u>	<u>(6,691)</u>	<u>(4,238)</u>	<u>(609)</u>
Net profit for the year	<u>12,276</u>	<u>16,709</u>	<u>8,775</u>	<u>1,262</u>
Net profit attributable to:				
Owners of our company	12,354	16,804	8,699	1,251
Non-controlling interests	<u>(78)</u>	<u>(95)</u>	<u>76</u>	<u>11</u>
	<u>12,276</u>	<u>16,709</u>	<u>8,775</u>	<u>1,262</u>

Our total income increased from RMB52.0 billion in 2020 to RMB 61.8 billion in 2021, as we increased the volume of new loans enabled from RMB565.0 billion in 2020 to RMB648.4 billion in 2021. Furthermore, we effectively implemented cost control measures to improve our cost-to-income ratio from 55.0% in 2020 to 48.8% in 2021, decreased our finance cost due to decrease in balance of convertible bonds following restructuring of our C-round convertible notes and increased in our interest income resulting from increase in deposits. This was partially offset by increase in credit impairment losses from RMB3.0 billion in 2020 to RMB6.6 billion in 2021 as a result of increase in our credit exposure. The percentage of outstanding balance of loans we enabled that we bear credit risks increased from 6.3% in 2020 to 16.6% in 2021. As a result, our net profits increased by 36.1% from RMB12.3 billion in 2020 to RMB16.7 billion in 2021, and our net profit margin increased from 23.6% in 2020 to 27.0% in 2021.

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Our total income decreased from RMB61.8 billion in 2021 to RMB58.1 billion in 2022, as we decreased the volume of new loans enabled from RMB648.4 billion in 2021 to RMB495.4 billion in 2022, tightening credit standard to focus on higher quality customer. Furthermore, our cost control measures continued to take effect and decreased the cost-to-income ratio from 48.8% in 2021 to 46.3% in 2022. This was offset by the increase in credit impairment loss from RMB6.6 billion in 2021 to RMB16.6 billion in 2022, primarily due to worsened credit metrics as well as an increase in our credit exposure. Our DPD 30+ delinquency rates, as measured by the outstanding balance of loans for which any payment is 30 to 179 calendar days past due divided by the outstanding balance of loans, increased from 2.2% as of December 31, 2021 to 4.6% as of December 31, 2022. Our DPD 90+ delinquency rates, as measured by the outstanding balance of loans for which any payment is 90 to 179 calendar days past due divided by the outstanding balance of loans, increased from 1.2% as of December 31, 2021 to 2.6% as of December 31, 2022. The percentage of outstanding balance of loans we enabled that we bear credit risks increased from 16.6% in 2021 to 23.5% in 2022. As a result, our net profits decreased by 47.5% from RMB16.7 billion in 2021 to RMB8.8 billion in 2022, and our net profit margin decreased from 27.0% in 2021 to 15.1% in 2022.

For a discussion and analysis of the reasons for the changes in our key financial statement line items across periods, see “Financial Information—Key Components of our Results of Operations.”

Declining Financial Performance

We expect a significant decrease in our net profit for 2023 due to (i) our choice of scaling down our new loan volume, which has resulted in and will continue to lead to declining income in the next few quarters; and (ii) the lagging effect of SMB business recovery, which is expected to keep our delinquency rates and credit impairment loss at elevated levels, weighing on our near-term profitability in the next few quarters.

Summary Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	For the Year Ended December 31,			
	2020	2021	2022	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(US\$)</i>
	<i>(in millions)</i>			
Net cash generated from operating activities	7,121	4,987	4,455	641
Net cash (used in)/generated from investing activities	(15,004)	314	8,448	1,215
Net cash generated from/(used in) financing activities	24,874	(2,448)	(9,919)	(1,426)
Effect of exchange rate changes on cash and cash equivalents	(518)	(143)	57	8
Net increase/(decrease) in cash and cash equivalents	16,474	2,711	3,041	437
Cash and cash equivalents at beginning of the year	7,312	23,786	26,496	3,810
Cash and cash equivalents at end of the year	<u>23,786</u>	<u>26,496</u>	<u>29,538</u>	<u>4,247</u>

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As of December 31, 2022, we had RMB43.9 billion (US\$6.3 billion) in cash at bank, of which 95.2% was held in Renminbi. We had net cash generated from operating activities of RMB7.1 billion, RMB5.0 billion and RMB4.5 billion (US\$0.6 billion) in the years ended December 31, 2020, 2021 and 2022, respectively.

For a detailed discussion on our cash position as well as material changes in the various working capital items, see “Financial Information—Liquidity and Capital Resources.”

Summary of Consolidated Statements of Financial Position

The following table sets forth certain key items of our financial position as of the dates indicated.

	As of December 31,			
	2020	2021	2022	
	(RMB)	(RMB)	(RMB)	(US\$)
		(in millions)		
Total assets	248,890	360,433	349,263	50,221
Total liabilities	165,739	265,874	254,476	36,592
Total equity	83,151	94,559	94,787	13,630
Non-controlling interests	1,592	1,506	1,597	230

Our total equity increased from RMB83,151.3 million as of December 31, 2020 to RMB94,559.2 million as of December 31, 2021, primarily due to (i) net profit for the year of RMB16,709.1 million, (ii) share-based payment of RMB133.4 million, (iii) exercise of share-based payment of RMB79.7 million, (iv) an income of RMB28.3 million in other comprehensive income, and (v) contributions from non-controlling interests of RMB22.3 million, for the year of 2021, partially offset by repurchase of ordinary shares of RMB5,560.1 million and acquisition of non-controlling interests of a subsidiary of RMB4.7 million. Our total equity further increased from RMB94,559.2 million as of December 31, 2021 to RMB94,786.7 million (US\$13,629.5 million) as of December 31, 2022, primarily due to (i) net profit for the year of RMB8,775.0 million (US\$1,261.8 million), (ii) redemption and extension of convertible promissory notes of RMB624.8 million (US\$89.8 million), (iii) exercise of share-based payment of RMB59.0 million (US\$8.5 million), (iv) share-based payment of RMB45.9 million (US\$6.6 million) and (v) contributions from non-controlling interests of RMB15.9 million (US\$2.3 million), for the year of 2022, partially offset by (i) the declared dividend of RMB7,628.6 million (US\$1,096.9 million), (ii) a loss of RMB1,580.8 million (US\$227.3 million) in other comprehensive income, (iii) repurchase of ordinary shares of RMB82.7 million (US\$11.9 million) and (iv) capital reduction from non-controlling interests of RMB1.1 million (US\$0.2 million).

For a detailed discussion and analysis of the reasons for the changes in the key items of our financial position, see “Financial Information—Discussion of Certain key Items of Consolidated Statements of Financial Position.”

COVID-19 IMPACT AND DECLINING FINANCIAL PERFORMANCE

Beginning in 2020, outbreaks of COVID-19 resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China. Normal economic life throughout China was

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sharply curtailed. We took a series of measures to protect our employees, including temporarily closing our offices, facilitating remote working arrangements for our employees, including our collection staff, and canceling business meetings and travels. The operations of some of our business partners and service providers were also constrained and impacted. The population in most of the major cities was locked down to a greater or lesser extent at various times and opportunities for discretionary consumption were extremely limited. In particular, many of our borrowers are small business owners, and some of them were unable to operate their businesses and lost the ability to repay their loans as a result of lockdowns or other measures instituted to control the spread of the pandemic. These events negatively affected our small business owner borrowers and have contributed to the steady rise in DPD 30+ and DPD 90+ delinquency rates over the Track Record Period for loans we enabled. As a result, we had a net loss for the fourth quarter of 2022.

COVID-19 had a significant impact on the Chinese economy in 2021 and 2022. The demand for retail credit enablement in China is dependent upon overall economic conditions. General economic factors, including GDP growth, the interest rate environment and unemployment rates, may affect borrowers' willingness to seek loans and ability to repay them. In addition, small business owners were particularly vulnerable to the effects of the temporary lock-downs that were imposed from time to time in different places in China to prevent the spread of COVID-19. Many small business owners cannot work remotely and rely on foot traffic and in-store purchases to generate sales. Weakening economic conditions, combined with the impact of COVID-19, have weighed on borrowers' willingness to borrow and ability to repay.

In early 2022, a resurgence of COVID-19 led to a series of regional lock-downs across China and suspension of offline business activities. To comply with government measures, we adjusted our collection operations in Shanghai and certain other cities in China to focus on online activities, which adversely impacted the effectiveness of our collection services. Our core small business owner segment, which made up the majority of our new loans enabled in 2022, has been among the earliest and most significantly impacted by the deteriorating macro environment. In addition, there was a spike in the number of cases of COVID-19 reported in China during October and November of 2022, before the Chinese government began to modify its zero-COVID policy in December 2022. Immediately after the relaxation of the zero-COVID policy, we witnessed a surge in COVID-19 cases nationwide, before economic activities started returning back to normal. Our risk metrics further worsened for the fourth quarter of 2022 as a result of the effects on economic activity in China.

We witnessed worsening delinquency rates as well as rising credit impairment losses, weighing on our profitability in 2022. Our DPD 90+ delinquency rates, as measured by the outstanding balance of loans for which any payment is 90 to 179 calendar days past due divided by the outstanding balance of loans, increased from 1.2% as of December 31, 2021 to 2.6% as of December 31, 2022.

We maintained a stable cash and cash equivalents balance of RMB29.5 billion as of December 31, 2022, as compared to RMB26.5 billion as of December 31, 2021. We also had ample liquid financial assets of RMB43.4 billion (US\$6.2 billion), consisting of RMB14.3 billion (US\$2.1 billion) in term deposits with maturity over three months, and RMB29.1 billion (US\$4.2 billion) in financial assets at fair value through profit or loss as of December 31, 2022. These liquid financial assets can be easily converted into cash to support working capital needs. In addition, our financing guarantee subsidiary maintained a low leverage

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ratio of 2.0x as of December 31, 2022, as compared to 1.8x as of December 31, 2021. Despite of recent fluctuations in our financial performance, our liquidity and capital position remains resilient, and provides a solid foundation for us to navigate through business cycles.

We experienced a similar cycle of macroeconomic challenges at the onset of the COVID-19 pandemic in 2020, when the Wuhan lockdown affected our collection operations in a way similar to the business disruption we experienced in 2022. At that time, we adopted an enhanced risk-management measure in customer selection by tightening lending standards in the regions and industries that were most impacted by the pandemic. The negative impact from the pandemic was concentrated within a limited number of regions and we successfully drove a swift recovery in our credit and business performance in the period following the initial COVID-19 shock. Our total volume of new loans increased from RMB565.0 billion in 2020 to RMB648.4 billion in 2021. The DPD 90+ delinquency rate quickly restored to 1.3% within 3 months after reaching a peak of 1.8% as of June 30, 2020. Our net profits increased from RMB12.3 billion in 2020 to RMB16.7 billion in 2021.

The wide-spread lock-downs across China and the recent resurgence of the pandemic and spike of inspected cases in 2022 had a larger impact on business activities and our performance as compared to the beginning of COVID-19 pandemic. We thus have implemented broader adjustments to our credit policy and business operations. There are three stages to the approach we have adopted, (i) stage 1: broader credit policy adjustment, (ii) stage 2: business adjustment and operating efficiency improvement and (iii) stage 3: return to sustainable growth and profitability as economy is returning to normal. For details, see “Business—Declining Financial Performance.”

As SMBs are highly dependent on the macroeconomic environment, we expect that the operations of SMBs will gradually return to normal following the recent COVID-19 policy changes in China. We have consciously chosen to scale down our new loan volume, which has resulted in and will continue to lead to declining income in the next few quarters. Due to the lagging effect of SMB business recovery, we also expect our delinquency rates and indemnity loss to continue to maintain at a relatively elevated level for a few quarters in 2023 due to the default of those loans we enabled during the credit deterioration period in 2022. We have adopted a prudent provision policy for credit impairment loss, taking into account the potential increase in the proportion of loans for which we bear credit risk and our outlook on macroeconomic and credit conditions. The indicators that the Group is monitoring closely include consistent improvement in and stabilization of the flow rate as well as the asset quality of new loan vintages compared with older ones as measured by delinquency rates by vintage. Improvement in financial performance should follow in the coming quarters after recovery of these indicators. While it is too early to say which phase of the U-shape we are at, leveraging our experience with driving business recovery from the Wuhan lockdown and throughout the COVID-19 period, we believe we can deliver a U-shaped recovery in our business, though the timing and magnitude of any such recovery are still uncertain and subject to many contingencies.

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KEY REGULATORY FRAMEWORK RELEVANT TO OUR BUSINESS

Our industry is heavily regulated in the PRC, including those relating to internet loans, Circular 141, financing guarantees, data security, anti-monopoly, etc. The below table has set out the material regulations aspects related to our principal business. For details, please see “Regulatory Overview.”

		Key Regulatory Focus	Core Retail Credit and Enablement Model	Consumer Finance Loans	Lujintong Referrals
Loan -related regulations	Internet loan	Stipulates the business model of commercial banks’ cooperation with partners in the internet loan businesses, in aspects including the independent carryout of the risk management process, control of partners, funding of internet loans, etc.	√	√	√
	Circular 141	Introduces the general regulation guidance on cash loan businesses in aspects including licensing, interest rate, collection, etc.	√	√	√
	Financing guarantee	Sets out a series of regulations applicable to financing guarantee companies, regarding the registered capital, business scope, operating rules, risk control, etc.	√	N/A	N/A
	Consumer finance	Consumer financing companies are regulated and supervised by the CBIRC as well as its local offices, the principal regulatory framework is set by the Administrative Measures for the Pilot Scheme of Consumer Finance Companies (《消費金融公司試點管理辦法》).	N/A	√	N/A
	Interest rate	Sets out the interest rate cap from judicial supervision perspective.	√	√	√
Other general regulations	Consumer protection	Regulatory systems and mechanisms for the protection of consumer’s rights and interests, especially for financial consumers.	√	√	√
	Cybersecurity and privacy protection	Stipulates the obligations in relation to cyber security, data security and personal information protection. refer to the below recent regulatory development.	√	√	√

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The regulatory framework relevant to our business has been evolving. As this has happened, we have managed to dynamically adapt our business model, product offerings and strategic positioning to the regulatory requirements and minimize the associated adverse impact on our financial and operation results. In response to regulatory developments, we have taken timely measures to ensure our own compliance as well as that of the cooperation model with our institutional partners, and we will keep closely monitoring regulatory developments as they occur and adjust our business operations accordingly. Set out below is a summary of the overall measures we have taken to ensure that our business model and business processes comply with applicable regulatory framework:

- We have constantly made adjustment with respect to our own business model according to the normalized regulatory supervision. For instance, we historically charged service fees through non-licensed entities. After the issuance of Circular 141 on December 1, 2017, we are subject to the general regulation guidance on cash loan businesses in aspects including licensing, interest rate, collection, etc set forth in it. Circular 141 prohibits any unlicensed third-party institution from collecting interest or fees from borrowers. In response to Circular 141, we have gradually adjusted to charge fees through our licensed financing guarantee subsidiaries since early 2018.
- Under our core business model, we have established relationship with over 550 financial institutions in China, who are our funding, credit enhancement and product partners. Our partner financial institutions are under high regulatory scrutiny and subject to similar regulatory framework as ours. We work closely with them to continually ensure that our partnerships are in compliance with the relevant regulatory requirements, by collaboratively setting up standards and protocols for the entire business processes, including but not limited to, making proper information disclosure to customers, ensuring our partner financial institutions to conduct independent risk management and to directly contract with customers.
- We have prudently carried out our business activities, attached high importance to the establishment and enhancement of our risk management and compliance capabilities, and we are well-capitalized to comply with relevant regulatory framework and requirements that may evolve from time to time.

Following the regulatory interview by financial regulatory authorities with online financial platforms on April 29, 2021, we have conducted comprehensive and thorough self-investigation and rectification work in various aspects in our business. During our communication with the relevant financial regulatory authorities, our principal business model is recognized, including direct sharing of data relating to potential borrowers with our institutional partners by our financing guarantee subsidiary. Considering that the Guidelines for Business Cooperation between Banking Financial Institutions and Financing Guarantee Companies (《銀行業金融機構與融資擔保公司業務合作指引》) stipulate that banks and guarantee companies may separately accept clients' applications and recommend clients to each other, the above data sharing by our financing guarantee subsidiary does not fall into the scope of credit investigation business of a credit investigation institution under the provisions of Administrative Measures on Credit Investigation Business (《征信業務管理辦法》) and is not within the application of the notice relating to disconnecting direct connection, which was issued by the Credit Information System Bureau of People's Bank of China on

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July 7, 2021 towards 13 companies including us. Please refer to “Regulatory Overview—Regulations Relating to Credit Investigation Business” for more details. There has no material compliance issues identified during the self-investigation and rectification work. As of the Latest Practicable Date, we have substantially completed the rectification measures. For more details, please refer to the “Recent Regulatory Development”.

Based on the foregoing, the Directors and our PRC Legal Adviser are of the view that up to the Latest Practicable Date, our subsidiaries in China through which we conduct our principal business had obtained all necessary licenses that are material to our business operations and are compliant with the applicable existing effective laws and regulations in all material respects.

Having taken into account the aforementioned views of our Directors and our PRC Legal Adviser, which are concurred by the PRC legal adviser of the Joint Sponsors, and based on the independent due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors, that would cause them to question the aforementioned views of our Directors and our PRC Legal Adviser. For more details regarding the regulations related to our business, please see “Recent Regulatory Development” and “Regulatory Overview”.

However, given that the laws and regulations governing our industry are evolving, and substantial uncertainties exist with respect to their interpretation and implementation, we cannot assure you that our existing practices would not be challenged by governmental authorities under any existing or future rules, laws and regulations. See also “Risk Factors”.

RECENT REGULATORY DEVELOPMENT

New financial regulatory body consolidating oversight in China

On March 10, 2023, the National People’s Congress of China approved a plan to reform the institutions under the State Council, including a formation of a new national financial regulatory administration (國家金融監督管理總局), directly under the State Council to oversee the whole financial industry (except securities). The new national financial regulatory administration will be built on the basis of the CBIRC. Certain functions of the People’s Bank of China and the CSRC will be transferred to the new National Financial Regulatory Administration. In addition, local financial regulatory mechanisms will be reformed.

Considering (i) the above reform plan is mainly a reorganization and an integration of the institutions under the State Council; (ii) up to the Latest Practicable Date, we have not seen any material changes to the relevant laws and regulations applicable to the Group; (iii) the Group may continue to operate business in accordance with the current effective laws and regulations applicable to the Group, the Company believes that the aforementioned reform plan has no material impact on the business operation of the Group as a whole as well as the listing plan.

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Substantial completion of rectification work for online financial platforms

On April 29, 2021, the People's Bank of China, together with the CBIRC, the CSRC and other regulatory authorities, jointly conducted a regulatory interview with 13 companies, including ours, as part of special work on self-investigation and rectification of online financial platforms. We have carried out self-investigation and rectification work in various aspects, including prudential supervision, financial consumer protection, integrated operation of financial business, personal credit business, capital market business, and third-party internet deposits (the “**429 Rectification**”). As of the Latest Practicable Date, we have substantially completed most of the rectification measures based on our self-examination results according to the guidance provided by the relevant authorities.

Furthermore, Guo Shuqing, the Party Chief of the People's Bank of China and chairman of the CBIRC, stated in an interview on January 7, 2023, that the special rectification of the financial operations of the 14 platform enterprises has been substantially completed. In addition, at the press conference held on January 13, 2023, the official of the People's Bank of China also said that under the guidance of the financial regulatory authorities, the rectification conducted by 14 large platform enterprises has been substantially completed. According to the guidance provided by the regulatory authorities, the regulatory authorities will perform normalized supervision in general going forward.

As advised by our PRC Legal Adviser, our exposure to the risk of material administrative penalties relevant to the 429 Rectification is remote. Further, we believe that the 429 Rectification does not and will not have any material adverse impact on our business operation. Having taken into account the aforementioned views of our Directors and our PRC Legal Adviser, which are concurred by the PRC legal adviser of the Joint Sponsors, and based on the independent due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors, that would cause them to question the aforementioned views of our Directors and our PRC Legal Adviser. For more information, see “Business” and “Risk Factors.”

Interest Rate

Our income, including retail credit and enablement service fees and other fees, to the extent they are deemed to be or related to loan interest, are subject to restrictions on interest rates. For details, please see “Regulatory Overview—Regulations Relating to Retail Credit Enablement—Regulations on loans.”

During the track record period, we have not enabled any loan with an APR higher than 36% limit which is illegal; while we historically enabled loans with an APR higher than 24% but below 36%, which is not illegal, and, for such loans, our request to demand the portion of the fees that exceeds the 24% limit may not be upheld by the PRC courts at that time. After September 4, 2020, we have not enabled any new loans with an APR higher than 24% for loan applications. As of December 31, 2022, the total outstanding balance of enabled loans with an APR higher than 24% but below 36% amounted to RMB8 billion representing 1% of our total outstanding balance of enabled loans. As advised by our PRC Legal Adviser, we will not be penalized or sanctioned for our historical loans with an APR higher than 24% but below 36% since the APR higher than 24% but below 36% is not illegal under the PRC laws.

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During the Track Record Period and up to the Latest Practicable Date, as advised by the PRC Legal Adviser, our Directors are of the view that we have been adjusting the APR of loans that we enabled in compliance with latest applicable laws and rules. Having taken into account the aforementioned views of our Directors and our PRC Legal Adviser, which are concurred by the PRC legal adviser of the Joint Sponsors, and based on the independent due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors, that would cause them to question the aforementioned views of our Directors and our PRC Legal Adviser.

However, there remain uncertainties in the interpretation and implementation of the abovementioned provisions of the Supreme People's Court and the two amendments, including their applicability in practice and inconsistencies between the standard and the level of enforcement by different PRC courts. We may lower the APR or even be required to change our charging strategies from time to time as a result of changes in regulation or our business strategy.

Regulations on Local Financial Supervision and Administration

Pursuant to the currently effective Regulations on Financing Guarantee Companies (《融資擔保公司監督管理條例》), the financing guarantee license has no geographic limitation and companies granted with such license can practice relevant business nationwide, and a financing guarantee company may establish a branch to conduct financing guarantee business outside the province where it is domiciled with a prior approval from the regulatory department where the branch is located. We are currently licensed to conduct our current business across the provinces which is in accordance with above regulations. We have set up financing guarantee branches in multiple provinces mainly for purposes of conducting local business operation conveniently. As of December 31, 2022, we conducted retail credit and enablement business through our financing guarantee subsidiary and our 46 branches, covering 29 provinces. All of the branches have been licensed by the respective local financial authorities. We have set up financing guarantee branches covering all the provinces where we are conducting business except Yunnan province.

On December 31, 2021, the People's Bank of China published the Regulations on the Local Financial Supervision and Administration (Draft for Comments), which requires that, among others, (i) six types of financial organizations, including financing guarantee companies, are deemed as local financial organizations, and the incorporation of local financial organizations should be approved by the competent provincial regulatory authorities before they apply for the business licenses, (ii) local financial organizations are required to operate their business within the area approved by the competent provincial regulatory authorities and are not allowed to conduct business across provinces in principle, and (iii) the rules for cross-province business carried out by local financial organizations should be formulated by the State Council or by the financial regulatory department of the State Council as authorized by the State Council. The financial regulatory department of the State Council will specify a transition period for local financial organizations that have carried out businesses across provinces to maintain compliance. In response to requirement of the draft measures that local financial organizations are not allowed to conduct business across provinces in principle, we have expedited the establishment of financing guarantee branches in three regions, namely, Tianjin province, Ningxia province and Yunnan province, where no branches had been set up at that time. As of the Latest Practicable Date, we had completed the establishment of our branches in Tianjin province and Ningxia province and was in the process of establishing one in Yunnan province.

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As of the Latest Practicable Date, the draft measures had not been formally released and taken effect. If the draft measures were promulgated in their current form, including the requirement of “being not allowed to conduct business across provinces,” our PRC Legal Adviser has advised us that there is no material obstacle for us to comply with the draft measures.

Cybersecurity and Data Privacy

On June 10, 2021, the Standing Committee of the National People’s Congress promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect in September 2021. On August 20, 2021, the Standing Committee of the National People’s Congress promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), effective on November 1, 2021. On December 28, 2021, Cyberspace Administration of China, or the CAC, and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Cybersecurity Review Measures, which came into effect on February 15, 2022. The Cybersecurity Review Measures provides that, among others, a network platform operator is required to make a filing for a cybersecurity review by the Cybersecurity Review Office prior to its listing in a foreign country if it possesses personal information of more than one million users. As of the Latest Practicable Date, we possess personal information of over one million users. On February 10, 2023, we consulted the China Cybersecurity Review Technology and Certification Center (the “CCRC”), which was entrusted by the CAC to set up cybersecurity review consultation hotlines, on a named basis. The CCRC has advised us that (i) the term of “listing in a foreign country” under the Cybersecurity Review Measures does not apply to listings in Hong Kong, therefore we do not need to proactively apply for a cybersecurity review for listing in Hong Kong, and (ii) we do not need to apply for a cybersecurity review according to the Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) since it has not become effective. Our PRC Legal Adviser is of the view, based on consultation with the CCRC, that the term of “listing in a foreign country” under the Cybersecurity Review Measures does not apply to listings in Hong Kong for purposes of the obligation to proactively apply for a cybersecurity review with the CAC. However, given the Cybersecurity Review Measures were recently promulgated, there are substantial uncertainties as to the interpretation, application and enforcement of the Cybersecurity Review Measures. For more information, please see “Regulatory Overview—Regulations Relating to Information Security and Privacy Protection.”

In addition, the Cybersecurity Review Measures also stipulates that the critical information infrastructure operators and the network platform operators which engage in data processing activities that affect or may affect national security shall also be subject to the cybersecurity review. On November 14, 2021, the CAC published Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Regulations on Cyber Data Security Management, which specified that data processor who seeks to go public in Hong Kong, which affects or may affect national security, shall apply for cybersecurity review. However, further explanation or interpretation for “affect or may affect national security” remains to be clarified and elaborated by the CAC. If (i) our data processing activities are deemed to affect or may affect national security under the Cybersecurity Review Measures, or (ii) the Draft Regulations on Cyber Data Security Management is fully implemented in its current version, and our operation is deemed to affect or may affect national security, we may be subject to cybersecurity

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review. In addition, the competent PRC regulatory authorities may proactively conduct a cybersecurity review on us. As of the date of this listing document, we are not required to apply for the cybersecurity review in accordance with the Draft Regulations on Cyber Data Security Management. For more details, please see “Regulatory Overview—Regulations Relating to Information Security and Privacy Protection.”

As of the Latest Practicable Date, we have not received any notification from CAC or other regulatory authorities conducting cybersecurity review on us or determining our business as activities that affects or may affect national security. Based on the aforementioned, subject to the interpretation and discretion of the relevant regulatory authorities, after consulting with our PRC Legal Adviser, we are of the view that (i) considering factors for assessment of the national security risks, the possibilities that our business operations or this Listing are regarded as activities that may affect the national security and therefore we are required to proactively apply for the cybersecurity review in accordance with the Cybersecurity Review Measures are low; and (ii) we are not aware of any material legal impediment for us to take measures for compliance with the Draft Regulations on Cyber Data Security Management if become effective in its current form and the Cybersecurity Review Measures. For more details, please see “Risk Factors—Risks Relating to Our Business and Industry—Failure to comply with existing or future laws and regulations related to data protection, data security, cybersecurity or personal information protection could lead to liabilities, administrative penalties or other regulatory actions, which could negatively affect our operating results and business.”

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines, administrative penalties, or other sanctions by any relevant regulatory authorities in relation to violation of cybersecurity, data security and personal information protection laws and regulations. As advised by our PRC Legal Adviser, our Directors are of the view that we are in compliance with the existing PRC laws and regulations on cybersecurity, data security and personal information protection in all material aspects. Furthermore, our Directors believe that the existing and applicable laws and regulations in cybersecurity, data security and personal information protection will not have a material adverse impact on our business operations and our listing plan on the Stock Exchange. Having taken into account the aforementioned views of our Directors and our PRC Legal Adviser, which are concurred by the PRC legal adviser of the Joint Sponsors, and based on the independent due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors, that would cause them to question the aforementioned views of our Directors and our PRC Legal Adviser. As there might be newly issued explanations or implementation rules on the existing regulations, laws and opinions or the draft measures mentioned above might become effective, we will actively monitor future regulatory and policy changes to ensure strict compliance with all applicable laws and regulations and will continue to obtain guidance to understand the latest regulatory development and regulatory requirements.

Overseas listing

On February 17, 2023, the CSRC released a set of regulations consisting of six documents, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “Trial Measures”, 《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines (5項配套指引) (collectively, the “Filing Measures”), which will come into effect on March 31, 2023. The Filing

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Measures establish a new filing-based regime to regulate direct or indirect overseas offerings and listings by PRC domestic companies. For more details, please see “Regulatory Overview—Regulations Relating to M&A Rules and Overseas Listing.”

On February 17, 2023, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that (1) the domestic companies that have already been listed overseas before the effective date of the Trial Measures (i.e., March 31, 2023) shall be deemed as existing applicants (存量企業) (the “Existing Applicants”). Existing applicants are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as pass of hearing for listing in Hong Kong or the effectiveness of registration statement for listing in the United States), but have not completed the indirect overseas listing; if such domestic companies complete their overseas offering and listing within such six-month period (i.e., before September 30, 2023), they will be deemed as Existing Applicants. Within such six-month transition period, however, if such domestic companies need to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as being required to go through a new hearing procedure in Hong Kong), or if they fail to complete their indirect overseas issuance and listing, such domestic companies shall complete the filing procedures with the CSRC within three business days after submitting valid applications for overseas offering and listing; (3) for applicants who have received approval from the CSRC for a direct overseas listing, they may continue to pursue the overseas listing during the validity period of the approval. Those who have not completed the overseas issuance and listing upon the expiry of the approval period should file the application as required; and (4) for the overseas listing of companies with contractual arrangements (i.e., VIE structure), the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with these domestic companies which duly meet their compliance requirements, and support their development and growth by enabling them to utilize both markets and their resources.

Therefore, as advised by our PRC Legal Adviser, we do not need to perform the record-filing procedures for the Listing provided that we pass the hearing in Hong Kong before March 31, 2023 and complete the Listing before September 30, 2023 without going through any rehearing procedures.

Business change in response to regulatory requirement

Cessation of B2C and P2P product offerings

In response to regulatory changes affecting the entire industry, we stopped the facilitation of offering B2C products in the second half of 2017 and peer-to-peer products in August 2019. As of December 31, 2021, no peer-to-peer products enabled by our company remained outstanding, and none of the new loans we enabled during the Track Record Period were funded by peer-to-peer individual investors. For more details, please refer to “Risk Factors—Risks Relating to Our Business and Industry—We have modified our

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business model and practices in the past as a result of changes in laws, regulations, policies, measures and guidance, and we are subject to risks in connection with our discontinued products and historical practices. If any of our discontinued products and historical practices is deemed to violate any PRC laws or regulations, our business, financial condition and results of operations would be materially and adversely affected.”

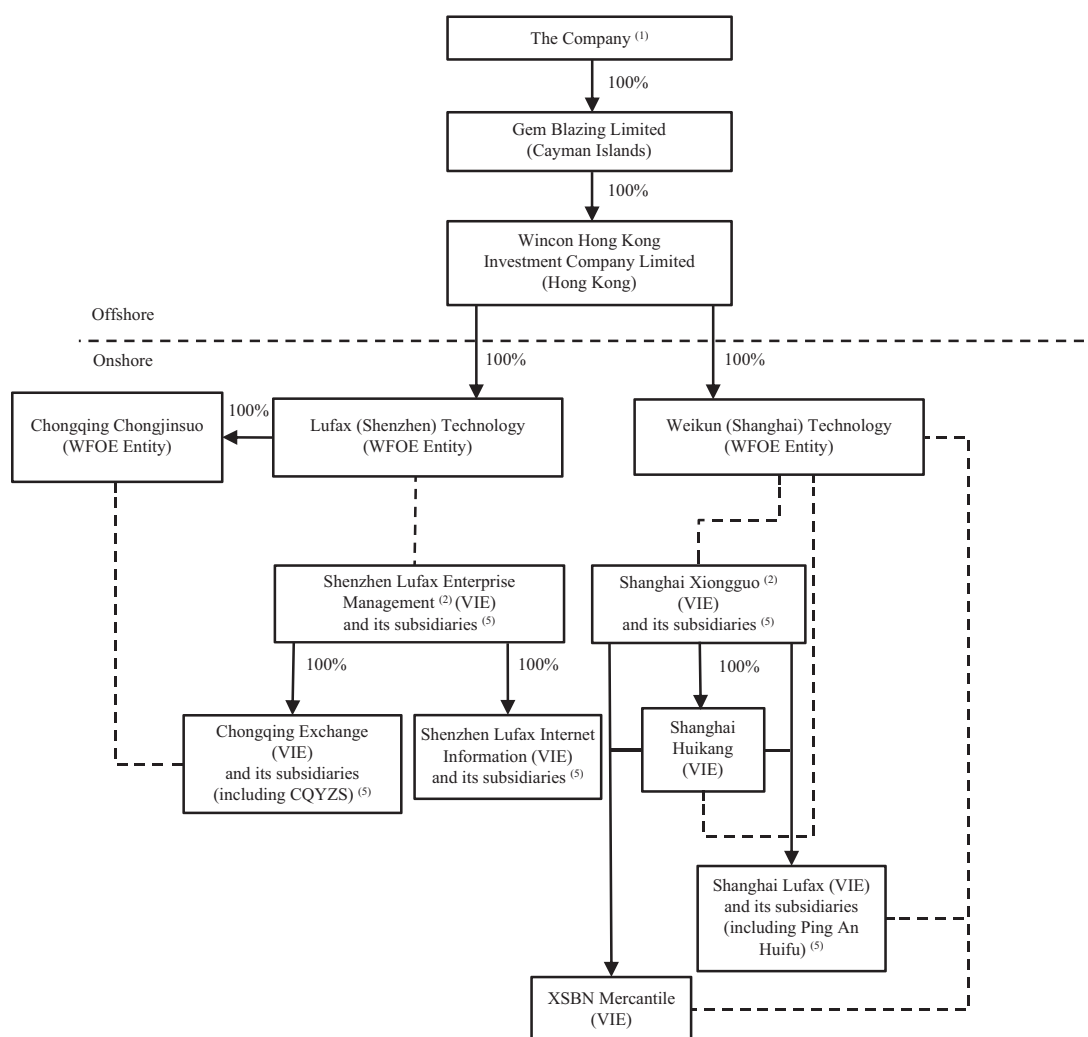
Cessation of microloan business

On November 2, 2020, the CBIRC, the People’s Bank of China and other regulatory authorities released the Interim Measures for the Administration of Online Microloan Business (Draft for Comments) (《網絡小額貸款業務管理暫行辦法(徵求意見稿)》), which states that a microloan company must obtain the official approval of the CBIRC to conduct an online micro lending businesses outside the province where it is registered. In addition, the draft provides the statutory qualified requirements for an online microloan company, covering such things as registered capital, controlling shareholders, and use of the internet to engage in an online microloan business. In response to this, we have stopped using our microloan subsidiaries to fund new loans from December 2020. Further, we canceled the microloan business license held by our Shenzhen and Hunan microloan subsidiaries in May 2022 and April 2022, respectively, and we completed the de-registration of our Hunan microloan subsidiary at local Administration of Market Regulation in December 2022. As of the Latest Practicable Date, the existing business of Shenzhen microloan subsidiary has been settled, and it is currently in the process of de-registration, which is estimated to be completed by the end of April 2023. We decided to de-register these two microloan subsidiaries due to the updates to our business model and our efforts to optimize our organizational structure and management efficiency. We have also applied for and obtained approval from the authorities regarding cancelation of the online loan business permit held by our remaining Chongqing microloan subsidiary in June 2022. As a result, we do not conduct any online microloan business as of the Latest Practicable Date.

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CONTRACTUAL ARRANGEMENTS

We, through the WFOE Entities, entered into a series of contractual arrangements with the VIEs and their respective shareholders (as applicable) to assert management control over, and to enjoy all economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities, which were all established under the PRC laws. In the three years ended December 31, 2022, the total income attributable to the businesses conducted through the Contractual Arrangements amounted to RMB1.6 billion, RMB1.6 billion and RMB1.0 billion, representing 3.0%, 2.5%, 1.7% of the total income of the Group, respectively. For further details of the Contractual Arrangement, see “Contractual Arrangements” in this listing document. The following simplified diagram illustrates the flow of economic benefits from our VIEs to the Group under the Contractual Arrangements:



Notes:

- (1) The Company primarily operates its businesses through its subsidiaries in the PRC. For simplicity, the above diagram includes the Company’s subsidiaries related to the Contractual Arrangements only. For details of the Company’s corporate structure of the principal subsidiaries and VIEs, see “History and Corporate Structure.”

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- (2) Each of Shanghai Xiongguo and Shenzhen Lufax Enterprise Management is owned by Ping An Financial Technology, Xinjiang Tongjun Equity Investment Limited Partnership, Shanghai Lanbang Investment Limited Liability Company and Linzhi Jinsheng Investment Management Limited Partnership as to 49.99%, 29.55%, 18.29% and 2.17%, respectively.
- (3) “—>” denotes legal ownership.
- (4) “--” denotes the contractual relationships among the WFOE Entities, the VIEs and the Registered Shareholders:
 - a) provision of business support and technical and consulting services by the WFOE Entities to the VIEs pursuant to the exclusive business cooperation agreements;
 - b) the payment of service fees by the VIEs to the WFOE Entities, which represents the flow of economic benefits from the VIEs to the WFOE Entities, pursuant to the exclusive business cooperation agreements;
 - c) the WFOE Entities’ control over the VIEs through the voting proxy agreement to exercise all shareholders’ rights of the Registered Shareholders in the VIEs;
 - d) the WFOE Entities’ exclusive options to acquire all or part of the equity interests in the VIEs; and
 - e) share pledges provided by the Registered Shareholders over the equity interests in the VIEs in favor of the WFOE Entities.
- (5) For further details of the Contractual Arrangements, see “Contractual Arrangements” in this listing document.

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law (外商投資法) which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures (中外合資經營企業法), the Law on Sino-Foreign Contractual Joint Ventures (中外合作經營企業法) and the Law on Foreign-Capital Enterprises (外資企業法) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. See the sections headed “Regulatory Overview—Regulations relating to Foreign Investment” and “Contractual Arrangements” for further details.

OUR CONTROLLING SHAREHOLDERS AND CONTINUING CONNECTED TRANSACTIONS

Ping An Insurance, through An Ke Technology and Ping An Overseas Holdings indirectly held 285,000,000 and 189,905,000 Shares, respectively, representing in aggregate approximately 41.4% of the total issued and outstanding share capital of the Company (without taking into account any Shares that may be issued under the Share Incentive Plans or upon the conversion of any outstanding Convertible Promissory Notes) as of the Latest Practicable Date. An Ke Technology is a wholly-owned subsidiary of Ping An Financial Technology, which is wholly owned by Ping An Insurance. Ping An Overseas Holdings is a direct wholly-owned subsidiary of Ping An Insurance. Accordingly, each of Ping An Insurance, Ping An Financial Technology, Ping An Overseas Holdings and An Ke Technology is a Controlling Shareholder of the Company. For additional information, see “Relationship with the Controlling Shareholders.”

Ping An Group is a leading retail financial services group in the PRC, which principally engages in insurance, banking and asset management business. In addition, the technology business of the Ping An ecosystem provides various financial and daily-life services through internet platforms, including

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OneConnect. During the Track Record Period and up to the Latest Practicable Date, we have entered into certain connected transactions with Ping An Insurance and its certain subsidiaries and associates in relation to leasing of properties, provision of certain services and products, purchasing of certain services and products, and offering of financial services. The connected transactions were entered into in the ordinary course of business on normal commercial terms. Further, we have established business cooperation with Ping An Group for the offering of credit enhancement service by Ping An Group to the borrowers of loans we enable. Such business cooperation is complementary, mutually beneficial and non-exclusive. For the years ended December 31, 2020, 2021 and 2022, the total income of the Group that was attributable to and generated from Ping An Insurance and its subsidiaries and associates was RMB2.1 billion, RMB5.6 billion and RMB2.9 billion, representing 4.1%, 9.0% and 5.1% of our total income, respectively. In addition, for the years ended December 31, 2020, 2021 and 2022, the total expenses paid to Ping An Insurance and its subsidiaries and associates by the Group were RMB4.1 billion, RMB3.9 billion and RMB3.0 billion, representing 12.1%, 10.2% and 6.6% of our total expenses (including credit impairment losses), respectively. While, with the development of our business, we expect the transaction amounts of our continuing connected transactions with Ping An Insurance and its certain subsidiaries and associates to increase in the three years ending December 31, 2025, we believe that we do not and will not significantly rely on Ping An Group for our business operation. See the sections headed “Connected Transactions” and “Relationship with the Controlling Shareholders” for further details, including the proposed annual caps for each of our continuing connected transactions with Ping An Insurance and its certain subsidiaries and associates.

DUAL LISTINGS

Our ADSs have been listed and traded on the NYSE since October 30, 2020. Dealings in our ADSs on the NYSE are conducted in U.S. dollars. We have applied for a listing of our Shares on the Main Board of the Hong Kong Stock Exchange by way of introduction pursuant to Rule 8.05(1) of the Hong Kong Listing Rules. Dealings in our Shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars. Our Shares will be traded on the Hong Kong Stock Exchange in board lots of 100 Shares. For additional information, see “Information about this Document and the Introduction” in this listing document.

Proposed Liquidity Arrangements

In connection with the Listing, the Designated Dealer and the Alternate Designated Dealer have been appointed as designated dealer and alternate designated dealer, respectively and intend to implement the Liquidity Arrangements during the Designated Period (being 30 calendar days from and including the Listing Date). The Liquidity Arrangements are intended to facilitate liquidity of the Shares in the Hong Kong market by arranging for migration of Shares to the Hong Kong Share Register and CCASS to provide the basis for an open market at the time of the Listing.

In connection with the Liquidity Arrangements, the Stock Borrowing and Lending Agreement between Tun Kung Company Limited (the “**Lender**”) and an affiliate of the Designated Dealer was entered into on April 11, 2023, which will come into effect from the first day of the Designated Period. Pursuant to the Stock Borrowing and Lending Agreement, the Lender will make available to the Designated Dealer stock lending

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facilities of up to 28,652,716 Shares, or approximately 2.5% of the total issued and outstanding Shares immediately upon Listing (assuming no further Shares are issued under the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes), on one or more occasions during the Designated Period, subject to applicable laws, rules and regulations in the U.S and Hong Kong, including that the lending and the subsequent acceptance of redelivery of any Shares by the Lender, and the borrowing and the subsequent redelivery of any Shares by the Designated Dealer, will not lead to either party being obliged to make a mandatory general offer under the Takeovers Code or that an exemption in this regard has been granted by the SFC. For further details, see “Listings, Registration, Dealings and Settlement—Proposed Liquidity Arrangements.”

WAIVER APPLICATIONS

We have applied for, and the Hong Kong Stock Exchange has granted us, a number of waivers from strict compliance with the Hong Kong Listing Rules. For further details, please see “Waivers” in this listing document.

RULE 13.46(2) OF THE LISTING RULES

Rule 13.46(2) of the Listing Rules requires an overseas issuer to send an annual report or a summary financial report within four months after the end of the financial year to which the report relates. As (i) our company has already included in this listing document the financial information required under Appendix 16 of the Listing Rules in relation to annual report in respect of the year ended December 31, 2022; (ii) our company will not be in breach of its constitutional documents or laws and regulations of Cayman Islands or other regulatory requirements regarding its obligation to publish and distribute annual reports and accounts; (iii) our company has included in this listing document a statement as to whether it complies with the Corporate Governance Code in Appendix 14 to the Listing Rules and if not, the considered reasons for the deviation and explain how good corporate governance was achieved by means other than strict compliance with the code provision of the Corporate Governance Code; the Company will not, for the purpose of Rule 13.46(2), separately prepare and send an annual report to its shareholders for the year ended December 31, 2022. In addition, the Company will issue an announcement by April 30, 2023 that it will not, for the purpose of Rule 13.46(2), separately prepare and send an annual report to its shareholders for the year ended December 31, 2022 and that the relevant financial information has been included in this listing document.

DIVIDENDS

On November 8, 2021, our board of directors approved an annual cash dividend policy. For the year ended December 31, 2021, we paid a cash dividend of US\$0.68 per ordinary share (US\$0.34 per ADS) to holders of our ordinary shares at market close on the record date, which was April 8, 2022.

On August 4, 2022, our board of directors approved a semi-annual cash dividend policy to replace our annual dividend policy.

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For the six months ended June 30, 2022, we paid a cash dividend of US\$0.34 per ordinary share (US\$0.17 per ADS) under the semi-annual cash dividend policy to holders of our ordinary shares at market close on the record date, which was October 13, 2022.

On March 9, 2023, the Board has approved a revised semi-annual cash dividend policy to replace its existing dividend policy. Under the revised dividend policy, starting from 2023, the Company will declare and distribute a recurring cash dividend semi-annually in which the aggregate amount of the semi-annual dividend distributions for each year is equivalent to approximately 20% to 40% of our net profit in such fiscal year, or as otherwise authorized by the Board. The determination to make dividend distributions and the exact amount of such distributions in any particular semi-annual period will be based upon our operations and earnings, cash flow, financial condition, and other relevant factors, and subject to adjustment and determination by the Board.

The Board has approved a cash dividend of US\$0.10 per ordinary share for the six-month period ended December 31, 2022, on our issued and outstanding shares to shareholders of record as of the close of trading on the New York Stock Exchange on April 7, 2023. Holders of ADSs, each two ADSs representing one ordinary share, will accordingly be entitled to a cash dividend of US\$0.05 per ADS, subject to the payment of applicable depositary fees. The Depositary will distribute the dividend to holders of ADSs on or about April 21, 2023.

During the Track Record Period, no cash dividend was declared in 2020, the amount of annual cash dividend paid to our shareholders as a percentage of our net profit in 2021 was 29.4%, while the aggregate amount of annual cash dividend including paid and to be distributed to our shareholders as a percentage of our net profit in 2022 was approximately 40.0%.

We are a holding company incorporated as an exempted company in the Cayman Islands. We rely principally on dividends from our PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.”

When we declare and pay dividends, we pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, when declared and paid, are also paid in U.S. dollars.

LISTING EXPENSE

The total amount of expenses relating to the Listing is estimated to be RMB72.6 million. The entire amount is expected to be charged to our consolidated statements of comprehensive income. The listing expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

SUMMARY

NO MATERIAL ADVERSE CHANGE

Our directors confirm that, up to the date of this document, except as disclosed in “COVID-19 Impact and Declining Financial Performance”, there has not been any material adverse change in our financial or trading position or prospects since December 31, 2022, and there is no event since December 31, 2022 which would materially affect the information shown in the Accountant’s Report in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in “Glossary of Technical Terms.”

“2014 Share Incentive Plan”	the Phase I share incentive plan of the Company, adopted in December 2014 and as most recently amended and restated in July 2021, to be amended and restated by an ordinary resolution of the Shareholders at the EGM, the principal terms of which are set out in “Statutory and General Information—D. Share Incentive Plans—2014 Share Incentive Plan” in Appendix IV
“2015 Share Incentive Plan”	the Phase II share incentive plan of the Company, adopted in August 2015 and as most recently amended and restated in July 2021, to be terminated and merged with the 2014 Share Incentive Plan by an ordinary resolution of the Shareholders at the EGM
“2019 Performance Share Unit Plan”	the 2019 performance share unit plan of Company, adopted in September 2019 and as most recently amended and restated in July 2021, to be amended and restated by an ordinary resolution of the Shareholders at the EGM, the principal terms of which are set out in “Statutory and General Information—D. Share Incentive Plans—2019 Performance Share Unit Plan” in Appendix IV
“Accountant’s Report”	the accountant’s report of the Company for the Track Record Period, as included in Appendix I
“ADS(s)”	American Depositary Shares, every two representing one Share
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council
“Alternate Designated Dealer”	Morgan Stanley Hong Kong Securities Limited, being the alternate designated dealer during the Designated Period
“An Ke Technology”	An Ke Technology Company Limited (安技術有限公司), a company with limited liability incorporated in Hong Kong on June 9, 2014, one of the Controlling Shareholders
“Articles” or “Articles of Association”	the ninth amended and restated articles of association of the Company to be conditionally adopted by a special resolution of the

DEFINITIONS

	Shareholders at the EGM, which will take effect upon Listing, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Islands Law” in Appendix III
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands
“CAC”	the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“CAGR”	compound annual growth rate
“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap. 22 (As Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by the HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “the PRC”	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“Chongqing Chongjinsuo”	Chongqing Chongjinsuo Enterprise Management Limited (重慶重金所企業管理有限公司), a limited liability company established under the laws of the PRC on February 28, 2017 and a wholly owned subsidiary of Lufax (Shenzhen) Technology
“Chongqing Exchange”	Chongqing Financial Assets Exchange Limited (重慶金融資產交易所有限責任公司), a limited liability company established under the laws of the PRC on December 27, 2010, which is a Consolidated Affiliated Entity and an indirect wholly owned subsidiary of Shenzhen Lufax Enterprise Management
“CIC”	China Insights Industry Consultancy Limited, a global market research and consulting company, which is an Independent Third Party
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” or “the Company”	Lufax Holding Ltd (陸金所控股有限公司), a company with limited liability incorporated in the Cayman Islands on December 2, 2014 and listed on the NYSE on October 30, 2020 (stock code: LU)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entity(ies)”, “variable interest entities” or “VIEs”	the variable interest entities and their subsidiaries, the financial results of which have been consolidated and accounted for as subsidiaries of the Company by virtue of the Contractual Arrangements, details of which are set out in the sections headed “History and Corporate Structure” and “Contractual Arrangements” in this document
“Contractual Arrangements”	the series of contractual arrangements entered into between the WFOE Entities, the VIEs and the Registered Shareholders of each such VIE, as detailed in the section headed “Contractual Arrangements” in this document
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Ping An Insurance, An Ke Technology, Ping An Overseas Holdings and Ping An Financial

DEFINITIONS

	Technology, as further detailed in the section headed “Relationship with the Controlling Shareholders”
“Convertible Promissory Notes”	(i) the convertible promissory notes in an aggregate principal amount of US\$1,158.0 million due 2023 with an interest rate of 6.0% per annum that the Company issued to certain investors on September 30, 2020, details of which are set out in the section headed “History and Corporate Structure” in this document, and (ii) the Ping An Convertible Promissory Notes
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“CQYZS”	Chongqing Yunzhongshan Financial Service Limited (重慶雲中杉金融服務有限公司), a limited liability company established under the laws of the PRC on November 16, 2011, which is a Consolidated Affiliated Entity and a wholly owned subsidiary of Chongqing Exchange
“Depository”	Citibank, N.A., depository of the ADSs
“Depository’s Custodian”	Citibank, N.A.—Hong Kong, the custodian of the Depository
“Designated Dealer”	J.P. Morgan Broking (Hong Kong) Limited, being the designated dealer during the Designated Period
“Designated Period”	being the period of 30 calendar days from and including the Listing Date
“Director(s)”	the director(s) of the Company
“Dividend Payout Ratio”	the amount of the dividend declared by the Company for a given period divided by the Company’s net profit for that period
“EGM”	the extraordinary general meeting of the Company to be convened on or about April 12, 2023
“Financial Advisor”	Ping An of China Capital (Hong Kong) Company Limited
“GAAP”	generally accepted accounting principles
“Governmental Authority(ies)”	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each

DEFINITIONS

	case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
“Group,” “the Group,” “we,” “us,” or “our”	the Company, its subsidiaries and the Consolidated Affiliated Entities from time to time, and where the context requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of the HKSCC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Tricor Investor Services Limited, being the branch share registrar of our Company
“Hong Kong Takeovers Code” or “Takeovers Code”	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company within the meaning ascribed to it under the Listing Rules
“Introduction” or “Listing”	the listing of Shares on the Main Board of the Stock Exchange by way of introduction pursuant to the Listing Rules
“Joint Sponsors”	J.P. Morgan Securities (Far East) Limited, Morgan Stanley Asia Limited and UBS Securities Hong Kong Limited
“Latest Practicable Date”	April 3, 2023, being the latest practicable date for ascertaining certain information in this document before its publication

DEFINITIONS

“Liquidity Arrangements”	the liquidity arrangements as specifically described in the subsection headed “Listings, Registration, Dealings and Settlement—Proposed Liquidity Arrangements” in this document
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about April 14, 2023, on which the Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Lufax (Shenzhen) Technology”	Lufax Holding (Shenzhen) Technology Service Co., Ltd. (陸控(深圳)科技服務有限公司), a company established in the PRC on September 25, 2018 and our wholly-owned subsidiary
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the sixth amended and restated memorandum of association of the Company to be conditionally adopted by a special resolution of the Shareholders at the EGM, which will take effect upon Listing, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Islands Law” in Appendix III
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry (中華人民共和國信息產業部))
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NYSE”	the New York Stock Exchange

DEFINITIONS

“OneConnect”	OneConnect Financial Technology Co., Ltd., a company incorporated under the laws of the Cayman Islands on October 30, 2017, whose shares are listed on the NYSE (stock code: OCFT) and the Hong Kong Stock Exchange (stock code: 6638), and is an associate of Ping An Insurance, one of the Controlling Shareholders of the Company
“Ping An Bank”	Ping An Bank Co., Ltd. (平安銀行股份有限公司), a company incorporated under the laws of the PRC on December 22, 1987, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000001), and is a subsidiary of Ping An Insurance, one of the Controlling Shareholders of the Company
“Ping An Consumer Finance”	Ping An Consumer Finance Co., Ltd. (平安消費金融有限公司), a limited liability company established under the laws of the PRC on April 9, 2020, which is an indirect non-wholly-owned subsidiary of the Company and is owned as to 70% and 30% by the Company and Ping An Insurance, respectively
“Ping An Convertible Promissory Notes”	the convertible promissory notes in an aggregate principal amount of US\$1,953.8 million due in October 2023 with an interest rate of 0.7375% per annum that the Company issued to Ping An Overseas Holdings on October 8, 2015, which the Company has redeemed 50% of the outstanding principal amount and the maturity date of the remaining 50% outstanding principal amount has been extended to October 2026 pursuant to the most recent amendment in December 2022, details of which are set out in the section headed “History and Corporate Structure”
“Ping An Financial Technology”	Shenzhen Ping An Financial Technology Consulting Co. Ltd. (深圳平安金融科技諮詢有限公司), a company incorporated under the laws of the PRC on April 16, 2008 and one of the Controlling Shareholders of the Company
“Ping An ecosystem”	Ping An Group and its subsidiaries, affiliates and associates
“Ping An Insurance”	Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a company established as a joint stock company under the laws of the PRC on January 16, 1997 whose shares are dually listed on the Shanghai Stock Exchange (stock code: 601318) and the Stock Exchange (stock code: 2318), and is a Controlling Shareholder of the Company

DEFINITIONS

“Ping An Group”	Ping An Insurance and its subsidiaries
“Ping An Overseas Holdings”	China Ping An Insurance Overseas (Holdings) Limited (中國平安保險海外(控股)有限公司), a company with limited liability incorporated in Hong Kong on October 24, 1996, one of the Controlling Shareholders
“Ping An P&C”	Ping An Property & Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司), a company established under the laws of the PRC on December 24, 2002 and a subsidiary of Ping An Insurance
“Ping An Puhui”	Ping An Puhui Enterprises Management and its subsidiaries, which are principally engaged in the core retail credit and enablement business of the Group
“Ping An Puhui Enterprises Management”	Ping An Puhui Enterprises Management Co., Ltd. (平安普惠企業管理有限公司), a company established in the PRC on July 7, 2015 and our wholly-owned subsidiary
“PRC Civil Code”	the Civil Code of the PRC (《中華人民共和國民法典》), as amended from time to time
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended from time to time
“PRC Legal Adviser”	Haiwen & Partners, our legal adviser on PRC law
“Puhui Lixin”	Ping An Puhui Lixin Asset Management Limited (平安普惠立信資產管理有限公司), a limited liability company established under the laws of the PRC on March 28, 2017, which was an indirect non-wholly-owned subsidiary of the Company and was owned as to 60% and 40% by the Company and a consolidated affiliated entity of OneConnect, respectively, as of the Latest Practicable Date
“Registered Shareholders”	the respective registered shareholders of the VIEs, details of which are set out in the section headed “Contractual Arrangements”
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SEC”	Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Lufax”	Shanghai Lufax Information Technology Co., Ltd. (上海陸金所信息科技股份有限公司) (formerly known as Shanghai Lujiazui International Financial Asset Exchange Co., Ltd. (上海陸家嘴國際金融資產交易市場股份有限公司)), a limited company by shares established under the laws of the PRC on September 29, 2011 and a Consolidated Affiliated Entity
“Shanghai Xiongguo”	Shanghai Xiongguo Corporation Management Co., Ltd. (上海雄國企業管理有限公司), a limited liability company established under the laws of the PRC on December 10, 2014 and a Consolidated Affiliated Entity
“Shanghai Huikang”	Shanghai Huikang Information Technology Limited (上海惠康信息技術有限公司), a limited liability company established under the laws of the PRC on December 29, 2014 and a Consolidated Affiliated Entity
“Share(s)”	the ordinary shares of the Company with a par value US\$0.00001 per share
“Share Incentive Plans”	the 2014 Share Incentive Plan, 2015 Share Incentive Plan and 2019 Performance Share Unit Plan
“Shareholder(s)”	holder(s) of our Share(s)
“Shenzhen Lufax Enterprise Management”	Shenzhen Lufax Holding Enterprise Management Co., Ltd. (深圳市陸控企業管理有限公司), a limited liability company established under the laws of the PRC on May 23, 2018 and a Consolidated Affiliated Entity of the Company
“Shenzhen Lufax Internet Information”	Shenzhen Lufax Internet Information Services Limited (深圳市陸金互聯網信息服務有限公司), a limited liability company established under the laws of the PRC on October 16, 2017, which is a Consolidated Affiliated Entity and a wholly owned by Shenzhen Lufax Enterprise Management
“State Council”	State Council of the PRC (中華人民共和國國務院)

DEFINITIONS

“Stock Borrowing and Lending Agreement”	the stock borrowing and lending agreement dated April 11, 2023 entered into between an affiliate of the Designated Dealer and Tun Kung Company Limited as specifically described in the subsection headed “Listings, Registration, Dealings and Settlement—Proposed Liquidity Arrangements” in this document
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Track Record Period”	the three financial years of the Company ended December 31, 2020, 2021 and 2022
“U.S. Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
“U.S. SEC”	the Securities and Exchange Commission of the United States
“United States,” “U.S.” or “US”	United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars,” “U.S. dollars,” “US\$” or “USD”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax
“Weikun (Shanghai) Technology”	Weikun (Shanghai) Technology Service Co., Ltd. (未鯤(上海)科技服務有限公司) (formerly known as Shanghai Huiyuan Management Consulting Company Limited (上海惠苑管理諮詢有限公司)), a limited liability company established in the PRC on February 28, 2015 and our wholly-owned subsidiary
“WFOEs”	Weikun (Shanghai) Technology and Lufax (Shenzhen) Technology
“WFOE Entities”	WFOEs and Chongqing Chongjinsuo, which have entered into the Contractual Arrangements
“XSBN Mercantile”	XiShuangBanNa Mercantile Exchange Co., Ltd. (西雙版納商品交易中心股份有限公司), a limited company by shares established under the laws of the PRC on July 22, 2011 and a Consolidated Affiliated Entity
“%”	per cent

DEFINITIONS

Unless otherwise specified, in this document:

- *certain amounts and percentage figures have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them;*
- *the terms “Shares in issue and outstanding” and “issued and outstanding Shares” shall mean Shares in issue excluding the treasury shares held by the Company before the Listing, which comprised (i) Shares underlying the ADSs repurchased by the Company pursuant to the share repurchase programs authorized by the Board and (ii) Shares issued to the Depositary for bulk issuance of ADSs reserved for further issuances upon the exercise or vesting of options or awards granted under the Share Incentive Plans; and*
- *for ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries and the Consolidated Affiliated Entities) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

“active borrowers”	borrowers that have a current outstanding balance with the Company as of the period end
“AI”	artificial intelligence
“APR” or “annualized percent rate”	the monthly all-in borrowing cost as a percentage of the outstanding balance annualized by a factor of 12, where all-in borrowing cost comprises the actual amount of (a) interest, (b) insurance premiums or guarantee fees and (c) retail credit enablement service fees
“customer complaint rate”	Number of customer complaints passed to us by our regulatory authorities during that year, divided by the sum of number of active monthly accounts
“cumulative borrowers”	the cumulative number of borrowers who had submitted their loan application request and successfully made drawdowns since our inception
“DPD 30+ delinquency rate”	the outstanding balance of loans for which any payment is 30 to 179 calendar days past due, divided by the outstanding balance of loans
“DPD 90+ delinquency rate”	the outstanding balance of loans for which any payment is 90 to 179 calendar days past due, divided by the outstanding balance of loans
“KYB”	know-your-business
“KYC”	know-your-customers
“KYP”	know-your-products
“MOB” or “months on book”	the number of complete calendar months that have elapsed since the calendar month in which the loan was originated, measured at the end of each calendar month
“outstanding balance of loans”	the total principal amount outstanding at the end of the given period for loans we enabled

GLOSSARY OF TECHNICAL TERMS

“percentage of non-performing loans more than 60 days overdue”	the outstanding balance of loans for which any payment is 61 or more calendar days past due and not written off, and certain restructured loans, divided by the outstanding balance of loans
“SBOs”	small business owners, including owners of legal entities, individuals who conduct their businesses as sole proprietors, management-level individuals of SMBs, and self-employed individuals with proof of business operations
“SMBs”	small and micro businesses, typically with fewer than 50 employees and less than RMB30 million of annual income
“volume of new loans”	the principal amount of new loans we enabled during the given period

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “aim,” “aspire,” “objective,” “target,” “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond the Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- the impact of COVID-19 and the after-effects of the pandemic; and
- all other risks and uncertainties described in the section headed “Risk Factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of

FORWARD-LOOKING STATEMENTS

any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our Shares or ADSs involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares or ADSs. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares or ADSs could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-looking Statements” in this document.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to doing business in China; (iv) risks relating to our Shares and ADSs; and (v) risks relating to the dual listing. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our industry is rapidly changing, and our business has evolved significantly in recent years, which makes it difficult to evaluate our future prospects.

We operate in China’s SBO financial services industry, which is rapidly changing and may not develop as we anticipate. The regulatory framework governing the SBO financial services industry continues to develop rapidly and is expected to remain uncertain for the foreseeable future. In addition, our business and business model have evolved significantly in recent years. As this industry and our business continue to develop, we may further modify our business model, services and solutions. These modifications may not achieve the expected results and may have a material and adverse impact on our financial condition and results of operations.

You should consider our business and future prospects in light of the risks and challenges we may encounter in this rapidly changing industry, including our ability to:

- improve our financial performance;
- attract and retain small business owners and other borrowers;
- navigate a complex and evolving regulatory environment;
- continue to develop, maintain and scale our mobile apps;

RISK FACTORS

- convince prospective borrowers, users and partners of the value of products and services on our mobile apps;
- increase our market share and offer personalized and competitive services;
- offer or maintain attractive fees while driving the growth and profitability of our business;
- develop sufficient, diversified, sustainable, cost-efficient and reputable institutional funding partners;
- source third-party credit enhancement at commercially attractive prices, or grow our balance sheet to support our financing guarantee business, to meet the demands of our funding partners;
- continue to develop and improve the effectiveness, accuracy and efficiency of our proprietary credit assessment and risk management technology;
- improve our operational efficiency and maintain profitability;
- enhance our technology infrastructure to support the growth of our business, maintain the security of our system and the confidentiality of the information provided and utilized across our system;
- effectively maintain, upgrade and scale our financial and risk management controls and procedures;
- defend ourselves against legal proceedings and regulatory actions, such as claims against us relating to our sales and collection efforts, fee structures, employee and third-party misconduct, intellectual property, cybersecurity or privacy;
- operate without being adversely affected by negative publicity about our industry in general and the Company in particular, including baseless or ill-intentioned negative publicity; and
- navigate fluctuations in economic conditions.

If we fail to address any or all of these risks and challenges, our business may be materially and adversely affected.

Our business may continue to be materially and adversely affected by the effects of the COVID-19 pandemic in China, and changes we have made to our business may not be successful in dealing with the effects or the after-effects of the pandemic.

Beginning in 2020, outbreaks of COVID-19 resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China. Normal economic life throughout China was sharply curtailed. We took a series of measures to protect our employees, including temporarily closing our

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offices, facilitating remote working arrangements for our employees, including our collection staff, and canceling business meetings and travels. The operations of some of our business partners and service providers were also constrained and impacted. The population in most of the major cities was locked down to a greater or lesser extent at various times and opportunities for discretionary consumption were extremely limited. These events have contributed to the steady rise in loan delinquency over the Track Record Period for loans we enabled.

China began to modify its zero-COVID policy at the end of 2022, which seems to have prompted a considerable degree of uncertainties about the economic and market outlook. Thus, we have to be prepared for the possibility for a wide range of possible outcomes, some of which could be highly unfavorable to our business. There is still uncertainty as to the future impact of the virus, especially in light of this change in policy. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the success or failure of efforts to contain or treat cases, and future actions we or the authorities may take in response to these developments. China may experience lower domestic consumption, higher unemployment, severe disruptions to exporting of goods to other countries and greater economic uncertainty, which may impact our business in a materially negative way as people in general and small business owners in particular may be less inclined to borrow. Borrowers may also have less propensity or ability to repay their loans as a result of the economic problems caused by COVID-19, which may then impact credit quality. Consequently, the COVID-19 pandemic may continue to materially and adversely affect our business, financial condition and results of operations in the current and future years.

While credit quality deterioration took place across the board in China in 2022, we witnessed growing differences in economic resilience in various regions, which led to significant divergence in credit performance by region. In response, we have begun to focus on higher quality borrowers in more economically resilient regions, restructure our sales channel structure and productivity, revise our products and pricing, and enhance our risk management capabilities to protect our business health and resiliency during economic downturns. However, there can be no assurance that adopted approach will be successful or, if it is successful, how long it could take or how quickly our performance could recover.

Small business owners are more vulnerable to economic fluctuations.

Small business owners are generally more vulnerable to macroeconomic fluctuations or changes in the regulatory environment, as they may lack the financial, management or other resources necessary to withstand the adverse effects brought on by economic downturns. Small business owners may also have no or only a limited credit history or a lower borrowing capacity than large entities, and therefore may be more vulnerable to economic downturns. In addition, small business owners normally have negligible market shares and often need substantial additional capital to expand or compete and may experience substantial volatility in results of operations, any of which may impair a borrowers' ability to service a loan. As our core small business owner segment, which makes up the majority of our new loans enabled during 2022, has been among the earliest and most significantly impacted by the deteriorating macro environment, we witnessed worsening delinquency rates as well as rising credit impairment losses, weighing on our

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profitability during 2022. However, small business owners will need time to recover from the economic downturns. Going forward, any adverse changes in the economic, occurrence and/or development of natural disaster or epidemics or pandemic, including the resurgence of COVID-19, may affect the repayment ability of small business owners, which in turn may adversely affect our business, financial condition and results of operations.

Updates that we are in the process of making to our business model may not be successful.

We are in the process of making updates to our business model. Under our business model, we align our interest with that of our funding partners by sharing credit risk with them, utilizing a combination of our licensed financing guarantee subsidiary and our partnerships with third-party credit enhancement providers. We have increased the percentage of outstanding loans with credit risk exposure for our company over the Track Record Period from 6.3% as of December 31, 2020 to 16.6% as of December 31, 2021 and 23.5% as of December 31, 2022. As a consequence, our direct exposure to the risk of loss stemming from our ability to effectively evaluate borrowers' credit profiles and manage default risks has also increased. Going forward, we cannot predict the percentage of outstanding loans with credit risk exposure for our Company, largely because when and how much credit risk we take on and whether third-party credit enhancement is utilized depend on a dynamic mix of commercial factors, including the pricing of credit enhancement and the willingness of our funding partners to bear risk, as well as regulatory guidance. Our loan enablement can be done either with or without third-party credit enhancement, and if the cost of third-party credit enhancement is not commercially attractive, the proportion of loans for which we have credit risk could greatly exceed 30%, depending on the balance of risk and reward.

As we increase the volume of outstanding loans on which we bear credit risk, our direct exposure to the risk of loss stemming from any failure to effectively evaluate borrowers' credit profiles or manage default risks has also increased. In addition to increasing our credit risk exposure, we launched a new small business owner value-added services platform in November 2022 to foster the growth of an SBO ecosystem, and we have begun to bring in additional service providers to give SBOs access to broader offerings beyond financial products. These include a forum for information exchange, social networking and a suite of digital SaaS solutions. Our goal is to provide SBOs the necessary connectivity and tools for more effective customer acquisition, easier transaction making and overall improved efficiency. The profitability of these updates to our business model has yet to be proven. Changing our business model may present operating and marketing challenges that are different from those that we currently encounter. Making these updates to our business model may cause us to oversee opportunities that we could have pursued if we had not made these updates or if we had made different updates. We cannot assure you that making these changes to our business model will be successful enough to justify the time, effort and resources that we devote to implementing them.

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Our business is subject to laws, regulations, and supervision by national, provincial and local government and judicial authorities, industry associations and other regulatory bodies. The laws, regulations and official guidance relating to our business are complex and evolving rapidly and may be subject to further changes. Non-compliance with any existing or new regulation may result in penalties, limitations and prohibitions on our business activities, and we have been modifying and may need to continue to modify our business operations in response to changes in laws and regulations.

The industry in which we operate is highly regulated. Our businesses are subject to national, provincial and local laws, rules, regulations, policies and measures in China. See “Regulatory Overview.” These laws, rules, regulations, policies and measures are issued by the National People’s Congress of the PRC and its standing committee, the State Council, and different central government ministries and departments as well as provincial and local government authorities, and are enforced by different levels of regulatory agencies and by local authorities in each province in which we operate. As a result, there may be inconsistencies between the rules, regulations, policies, orders and guidance of different regulatory agencies. In order to comply with the existing and new rules, regulations, policies and measures of each regulatory agency, we have modified, and may continue to modify, our business models from time to time, which could cause us to incur significant costs and expenses, divert resources and materially disrupt our operations, which could have a material adverse effect on our results of operations and financial condition.

For example, on January 13, 2021, the CBIRC and the People’s Bank of China released the Notice on Regulating Personal Deposit Business by Commercial Banks through the Internet, which provides detailed rules for the conduct of a deposit business by commercial banks through the internet and further prohibits commercial banks from conducting a time deposit and time-demand optional deposit business through online platforms that they do not operate themselves, including such services as marketing and promotion, product display, information transmission, access to purchase and interest subsidies. We ceased to enable the bank deposit products provided by our bank partners in December 2020. However, the PRC governmental authorities may further tighten the requirements that regulate the industry we operate in, which may result in fines or penalties, limit or restrict our current practices and may require changes to our business model or operations.

On April 29, 2021, the People’s Bank of China, together with the CBIRC, the CSRC and other regulatory authorities, jointly conducted a regulatory interview with 13 companies, including us, as part of special work on self-investigation and rectification of online financial platforms. We have carried out self-investigation and rectification work in various aspects, including prudential supervision, financial consumer protection, integrated operation of financial business, personal credit business, capital market business, and third-party internet deposits. As of the Latest Practicable Date, we have substantially completed most of the rectification measures based on our self-examination results according to the guidance provided by the relevant authorities. There also remains a risk that we may not be able to rectify all our practices to be in compliance with the regulatory requirements, which may result in regulatory authorities taking additional regulatory actions against us. The regulatory authorities will maintain normalized supervision in general going forward, according to the guidance provided by the regulatory authorities. Our rectification results remain subject to the regulators’ regular supervision, and we cannot assure you that the measures we have taken and rectifications we have made will satisfy the requirements from the regulators. If any such outcome were to arise, there may be a material and adverse effect on our business, results of operations, financial conditions and prospects. Our reputation may also be harmed.

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On December 31, 2021, the People's Bank of China, the MIIT, the CBIRC, the CSRC, the CAC, SAFE and the State Intellectual Property Office issued the Measures for Administration of Internet Marketing of Financial Products (Draft for Comments), which regulates financial institutions and internet platform operators entrusted by such financial institutions with carrying out internet marketing activities of financial products. Pursuant to this draft measure, financial institutions may not entrust any other entities or individuals to carry out internet marketing of financial products unless otherwise provided or authorized by laws and regulations. The draft measure also prohibits third-party online platform operators from participating in the sale of financial products without the approval of financial regulatory authorities, including interactive consultation with consumers on financial products, suitability assessment of financial consumers, execution of sale contracts and transfer of funds. In addition, online platform operators are not allowed to share the income of financial business by setting various charging mechanisms linked to the loan scale and interest scale. If this draft measure is enacted as proposed, our retail credit and enablement business will be subject to additional regulatory requirements and restrictions.

We are also subject to oversight by the MIIT, the CAC and the National Internet Finance Association of China in connection with our mobile applications. If we fail to comply with the requirements and standards set by the relevant authorities or if our apps fail to remain on the white list, mobile app stores including the iOS App Store and Android app stores may cease the distribution of our mobile apps and our business may be materially and adversely affected.

We expect the laws, rules, regulations, policies and measures governing our business, our cooperation with third-party business partners and the loans we enable to continue to evolve. Our business activities and growth may be adversely affected if we do not respond to regulatory changes in a timely manner. Non-compliance with the applicable laws, rules, regulations, policies and measures, including as a result of ambiguities in them, may subject us to sanctions by regulatory authorities, monetary penalties, or restrictions on our business activities or new product introduction or revocation of our licenses, all of which could have material and adverse effects on our business, financial condition and results of operations.

We may be unable to source third-party credit enhancement at commercially attractive prices, grow our balance sheet to support our financing guarantee business, or persuade our funding partners to accept guarantees from our financing guarantee subsidiary. Any of these outcomes could materially and adversely affect our business, financial condition and results of operations.

We make use of third-party credit enhancement providers in our retail credit and enablement business. Under our current business model, we share the credit risk with credit enhancement providers for most of the loans we enable. As of December 31, 2022, our credit enhancement providers provided insurance or guarantees on 76.1% of the outstanding balance of loans we enabled under our Puhui brand. Furthermore, one credit enhancement provider, Ping An P&C, provided insurance or guarantees for 70.6% of the outstanding balance, with other credit enhancement providers accounting for the remaining 5.5%. However, the ability and willingness of our credit enhancement providers to continue providing credit enhancement at a commercially attractive cost cannot be assured. Our credit enhancement providers price their services based on factors such as the creditworthiness of the customers, their cost of funds, the conditions in the overall credit market and their expectations for how these factors will evolve and change over time. When credit default rates go up, which has been the general trend in China over the Track Record Period, credit

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enhancement providers tend to increase the cost they charge to offset the additional expected losses. Going forward, we cannot predict the percentage of outstanding loans with credit risk exposure for our company, because when and how much credit risk we take on and whether third-party credit enhancement is utilized depend on a dynamic mix of commercial factors, including the pricing of credit enhancement and the willingness of our funding partners to bear risk, as well as regulatory guidance. Our loan enablement can be done either with or without third-party credit enhancement, and if the cost of third-party credit enhancement is not commercially attractive or our credit enhancement providers, including Ping An Group, encounter difficulties including but not limited to financial challenges, credit rating downgrades or others which prevent them from continuing to provide credit enhancement services, the proportion of loans for which we have credit risk could greatly exceed 30%, depending on the balance of risk and reward. We have ongoing discussions with our funding partners regarding the potential adjustments in our new commercial arrangement where we do not engage external credit enhancement partners and this has not affected our cooperation with funding partners. As of the Latest Practicable Date, we had initiated dialogues with all of our 81 funding partners, and 14 banks and 5 trust companies among our partners have already agreed to the new arrangement. However, we cannot assure you that all our funding partners may continue provide the same level of funding support to us as we decrease the utilization of external credit enhancement partners to rely on our own credit guarantee subsidiary to provide credit enhancement. If we are unable to source third-party credit enhancement at commercially attractive prices, grow our balance sheet to support our financing guarantee business, or persuade our funding partners to accept guarantees from our financing guarantee subsidiary, our business, financial condition and results of operations may be materially and adversely affected.

The total fees charged to borrowers for loans we enable may be deemed to be in excess of interest rate limits imposed by laws or regulatory authorities. As a result, part of the interest and fees may not be valid or enforceable through the PRC judicial system.

Our income, including retail credit and enablement service fees and other fees, to the extent they are deemed to be or related to loan interest, are subject to restrictions on interest rates on private lending. According to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) took effect on September 1, 2015, in the event the sum of the annualized interest that lenders charge and the fees we and our business partners charge exceeded the 24% limit, and borrowers refused to pay the portion that exceeds the 24% limit, PRC courts would not uphold our request to demand the portion of the fees that exceeds the 24% limit from such borrowers. If the sum of the annual interest that lenders charge and the fees we and our business partners charge exceeds 36%, the portion that exceeds the 36% limit is invalid.

The Supreme People's Court approved two amendments to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases on August 19, 2020 and December 29, 2020, pursuant to which the PRC courts will support a non-financial institution's claim for interest on loans if their annual interest rate does not exceed four times the one-year Loan Prime Rate at the time of the establishment of the loan agreements. The aforementioned one-year Loan Prime Rate refers to the one-year loan market quoted interest rate issued by the National Bank Interbank Funding Center. As of the Latest Practicable Date, the most recent one-year loan market quoted

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interest rate issued by the National Bank Interbank Funding Center was 3.65%. Also on December 29, 2020, the Supreme People's Court further issued the Reply Regarding the Scope of Application of the New Private Lending Judicial Interpretation, which provides that the amended Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases are not applicable to disputes arising from the financial business of microloan companies, financing guarantee companies, and five other types of local financial organizations which are regulated by local financial authorities.

However, there remain uncertainties in the interpretation and implementation of the abovementioned provisions of the Supreme People's Court and the two amendments, including their applicability in practice, the basis of the formula used to calculate the interest limit, and the scope of inclusion of related fees and insurance premiums, as well as inconsistencies between the standard and the level of enforcement by different PRC courts. We cannot assure you that there will not be any changes to the detailed formula used to calculate the interest limit, that our future fee rates will not be lowered as a result of the limit described above, or that the limit will not be applied to our historical products. In such cases, we and our business partners may be required to repay certain borrowers if our historical loan products are deemed to have violated the laws and regulations concerning the limit on lending interest and fee rates, and our business, results of operations and financial condition may therefore be materially and adversely affected.

In addition to rules, opinions and decisions issued by the PRC courts, we and our business partners are also subject to regulatory agencies' requirements, supervision or guidance. We have lowered the APR on loans we enable since early September 2020 and may further lower the APR or even be required to change our charging strategies from time to time as a result of changes in regulation or our business strategy. We may also reduce our outstanding loan volumes, significantly modify our fee rate structure within a prescribed period of time or modify our business cooperation model with third-party business partners, including our credit enhancement providers. If we are unable to comply with such regulatory requirements, supervision or guidance, we may be deemed to be charging above the maximum interest rates permitted by the relevant laws, regulations, policies or guidance, and as a result, we could be subject to orders of suspension, cessation or rectification, cancelation of qualifications, or other penalties, and our business, financial condition, results of operations and our cooperation with business partners could be materially and adversely affected as a result. See “—Our business is subject to laws, regulations, and supervision by national, provincial and local government and judicial authorities, industry associations and other regulatory bodies. The laws, regulations and official guidance relating to our business are complex and evolving rapidly and may be subject to further changes. Non-compliance with any existing or new regulation may result in penalties, limitations and prohibitions on our business activities, and we have been modifying and may need to continue to modify our business operations in response to changes in laws and regulations.”

Furthermore, there remain uncertainties regarding whether our charging strategies for service fees and the amount of service fees charged by our financing guarantee company could be accepted or supported by the local courts, and we cannot rule out the possibility that we may be required to change our charging strategies for service fees and the amount of service fees charged by our financing guarantee company if there is any change in the interpretation and implementation of applicable laws, regulations and governmental policies in the future.

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Our access to sufficient and sustainable funding at commercially attractive costs cannot be assured.

The growth and success of our future operations depend on the availability of adequate lending capital to meet borrowers' demands for loans. To maintain sufficient and sustainable funding to meet borrower demands, we need to keep expanding our funding base and secure a stable stream of funds from our funding partners.

The availability of funding from our funding partners depends on many factors, some of which are out of our control. Changes in the credit environment may impact the funding costs and the terms of our agreements with funding partners, and we may not be able to obtain sufficient and sustainable funding from our funding partners if the funding cost increases significantly. Funding costs may also be affected by the availability and pricing of credit enhancement and the willingness of the funding partners to bear risk with or without credit enhancement. In addition, our competitors may offer better terms to attract institutional funding partners away from us or form exclusive partnerships with them. We may not be able to maintain long-term business relationships with institutional funding partners in this evolving market. In addition, some of our funding partners have limited operating histories and experiences and we cannot rely on them for our funding.

Our funding partners are subject to PRC laws and regulations, and they may have to cease or modify their operations and cooperation with us as a result of existing or new regulatory requirements. For example, in July 2020, the China Banking and Insurance Regulatory Commission, or the CBIRC, issued the Interim Measures for the Administration of Online Loans by Commercial Banks to provide detailed rules on online loans provided by commercial banks. On February 19, 2021, the China Banking and Insurance Regulatory Commission further issued the Notice of Further Regulating Online Loan Business of Commercial Banks, also known as Circular 24, supplementary to the Interim Measures for the Administration of Online Loans by Commercial Banks. Circular 24 reiterates that the commercial banks shall independently carry out the risk management of online loans and are forbidden from outsourcing the key procedures of loan management. Moreover, regional commercial banks are prohibited from engaging in an online loan business outside the region of their registration. In addition, under Circular 24, the China Banking and Insurance Regulatory Commission and its local offices shall, under the principle of "one policy for one bank and smooth transition" urge commercial banks to rectify their non-compliant online loan business. It is also provided that Circular 24 will also apply by analogy to branches of foreign banks, trusts, consumer finance companies and auto finance companies. These rules and regulations may require some of our funding partners to evaluate their cooperation entities and adjust their cooperation with us and thus may potentially have a material impact on the availability of our funding.

In addition, we cannot assure you that we will be successful in diversifying our funding sources or funding sources for the loans we enable will remain or become increasingly diversified in the future. If we become dependent on a small number of funding partners and any such funding partners decide not to collaborate with us, change the commercial terms to the extent unacceptable to our borrowers or limit the funding available for loans we enable, such constraints may materially limit our ability to enable loans and adversely affect our user experience. As a result, our business, financial condition, results of operations and cash flow may be materially and adversely affected.

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Any failure to obtain, renew or retain the requisite approvals, licenses or permits applicable to our retail credit and enablement business may have a material adverse effect on our business, financial condition and results of operations.

The PRC government extensively regulates internet-related businesses, including supervising foreign ownership and requiring licenses and permits pertaining to the companies in internet-related businesses. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

We are required to obtain certain approvals, licenses, permits and certificates in the PRC for our retail credit and enablement business, including a license for our financing guarantee business and a license for our consumer finance business. For details of these requirements, please refer to “Regulatory Overview” in this document. However, there is no assurance that we will be able to obtain or renew such licenses, permits and certificates upon their expiration. In addition, the eligibility criteria for such licenses, permits and certificates may change from time to time and we may be required to observe stricter compliance standards in respect of such licenses, permits and certificates. In the event of the introduction of any new laws and regulations or changes in the interpretation of any existing laws and regulations that increase compliance costs for us, or prohibit or make it more expensive for us to continue with the operation of any part of our business, our business, financial condition and results of operations may be materially and adversely affected.

Moreover, the PRC government has adopted a series of regulations governing credit investigation businesses. Among those regulations, the Regulation for the Administration of Credit Investigation Industry, promulgated by the State Council and effective in March 2013, provides that credit investigation business means the activities of collecting, organizing, storing and processing credit-related information of individuals and enterprises, as well as providing such information to parties that may use such information. To further strengthen the supervision for credit investigation businesses, the People’s Bank of China issued the Administrative Measures for Credit Investigation Business, or the Credit Investigation Measures, effective January 1, 2022, which stipulate a broad definition of credit information to include all types of information in connection with the provision of services in financial or other activities to assess credit of individuals or enterprises. According to this measure, such information may include an individual’s or enterprise’s identity, address, transportation, communication, indebtedness, property, payment, consumption, production and operation, fulfillment of legal obligations and other information, as well as the analysis and evaluation based on such information. Although there are substantial uncertainties as to the interpretation and application of such measures, because we may collect, store and analyze certain information which falls within the scope of so-called credit-related information and conduct credit assessment based on such information and we may also share such information with our business partners under proper authorization, we may be deemed to be collecting and processing credit information of individuals and enterprises, and may be required to obtain credit data collection licenses and complete filing formalities. However, due to the evolving regulatory environment of the credit investigation industry and the lack of detailed interpretation, we cannot assure you that our retail credit and enablement business will not be regarded as credit investigation business and we will not be required to obtain the approval or license for credit investigation business or have to modify our business model, which could cause us to incur

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significant costs and expenses, divert resources and disrupt our operations, which may materially and adversely affect our results of operations and financial condition. For more details, please refer to the “Regulatory Overview—Regulations Relating to Credit Investigation Business.”

The Administrative Regulations on Supervision of Financing Guarantee Companies and its Supporting Systems (《融資擔保公司監督管理條例》及其四項配套制度) provides that a financing guarantee company approved by a provincial regulatory body may apply for setting up branches in other provinces to conduct a credit enablement business. Our financing guarantee company has been licensed by the provincial financial supervision authority in Jiangsu Province to operate a credit enablement business. Also, the branches of our financing guarantee company have also been granted licenses for conducting their retail enablement business in most of the provinces of China. Our financing guarantee company and its branches are subject to the supervision of local financial authorities in the jurisdictions where they are located. Historically, some of our financing guarantee companies maintained leverage ratios that were above the maximum level allowed. As of the Latest Practicable Date, we had modified our financing guarantee company’s business models in order to comply with the leverage ratio requirements and other laws, regulations, policies and measures for these companies in all of these jurisdictions.

Historically, the regulators have given us verbal and written guidance on our business practices, and we have modified our business operations based on such guidance. We may be subject to additional regulatory warnings, correction orders, condemnation and fines and may be required to further modify our business if any of our financing guarantee companies is deemed to have violated national, provincial or local laws and regulations or regulatory orders and guidance. On December 31, 2021, the People’s Bank of China published the Regulations on the Local Financial Supervision and Administration (Draft for Comments), which requires that, among others, (i) six types of financial organizations, including financing guarantee companies, are deemed as local financial organizations, and the incorporation of local financial organizations should be approved by the competent provincial regulatory authorities before they apply for the business licenses, (ii) local financial organizations are required to operate their business within the area approved by the competent provincial regulatory authorities and are not allowed to conduct business across provinces in principle, and (iii) the rules for cross-province business carried out by local financial organizations should be formulated by the State Council or by the financial regulatory department of the State Council as authorized by the State Council. The financial regulatory department of the State Council will specify a transition period for local financial organizations that have carried out businesses across provinces to maintain compliance. Currently, our financing guarantee company provides services for loans to borrowers across provinces. As uncertainties remain regarding when these rules would be adopted and become effective, and to what extent we would be subject to these rules, we cannot rule out the possibility that we may be required to obtain additional licenses, permits, filings or approvals in the future. We cannot assure you that we will be able to comply with such regulations in all respects in a timely manner, or at all, and since our financing guarantee subsidiary has been playing an increasingly important role in our retail credit and enablement business, any failure to do so could materially impair our ability to conduct our business and materially and adversely affect our results of operations and financial condition.

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We are subject to credit risk of our loans and financial assets measured at amortized cost.

The sustainability of our business and future growth depends largely on our ability to effectively manage the credit risk of our loans and financial assets measured at amortized cost. During the Track Record Period, the gross carrying amount of loans we originated to customers was RMB120.8 billion, RMB217.7 billion and RMB218.5 billion as of December 31, 2020, 2021 and 2022, and our financial assets measured at amortized cost was RMB6.6 billion, RMB3.8 billion and RMB4.7 billion (US\$678 million) as of the same dates. Any deterioration in our loan portfolio quality and increase in the delinquent loan ratio could materially adversely affect our results of operations. As of December 31, 2020, 2021 and 2022, our DPD 30+ delinquency rate was 2.0%, 2.2% and 4.6%, respectively, and our DPD 90+ delinquency rate was 1.2%, 1.2% and 2.6%, respectively.

We may not be able to effectively control the level of our overdue loans in the future. Our delinquent loan ratio may increase in the future due to a variety of factors, including factors beyond our control, such as a slowdown in economic growth, a deepening of a credit crisis or other adverse macroeconomic trends. Such factors may cause operational, financial and liquidity issues for our customers and affect their ability to make loan repayments in a timely manner. If we fail to effectively manage credit risk of our loan and our overdue loans increase, our business, financial condition and results of operations may be materially adversely affected.

We have modified our business model and practices in the past as a result of changes in laws, regulations, policies, measures and guidance, and we are subject to risks in connection with our discontinued products and historical practices. If any of our discontinued products and historical practices is deemed to violate any PRC laws or regulations, our business, financial condition and results of operations would be materially and adversely affected.

Given the complexities, uncertainties and frequent changes in PRC laws, rules, regulations, policies and measures, including changes in their interpretation and implementation, we have historically modified our business models and practices due to shifts in regulatory requirements and our strategies. Among wealth management products, we ceased to enable the offering of structured alternative products originated by financial institutions for individual investors, which we refer to as business-to-consumer, or B2C products, in the second half of 2017. We also ceased to enable the bank deposit products provided by our bank partners in December 2020. Among retail credit and enablement products, we ceased to enable the offering of peer-to-peer products in August 2019, as well as stopped using funding from peer-to-peer individual investors as a funding source for our retail credit and enablement business in 2019. As of December 31, 2021, no peer-to-peer products enabled by our Company remained outstanding, and none of the new loans we have enabled during the Track Record Period were funded by peer-to-peer individual investors.

To facilitate the exit of investors after we discontinued our enablement of the offering of B2C products in the second half of 2017, we decided to repurchase certain trust plans, asset management plans and debt investments from our investors as a one-time event. The performance of these trust plans, asset management plans and debt investments, with an aggregate net balance of RMB1.0 billion as of December 31, 2022, may continue to have an adverse impact on our financial condition. We are currently pursuing claims against the debtors related to some of our historical B2C products. While none of these

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claims is considered material to our business on an individual basis, the overall results of these ongoing litigations may have continued impact on our financial condition. We are currently unable to estimate the possible outcome or possible range of recovery, if any, associated with the resolution of these cases, and adverse outcome of our claims could have a material adverse effect on our business, results of operations, cash flows and reputation.

We ceased using individual funding as a funding source for loans in 2019 in response to new regulations on peer-to-peer lending. Under existing regulations, entities engaging in peer-to-peer lending are required to apply for record-filings with authorities. In addition, in January 2019, the PRC government issued the Notice on Further Implementing the Compliance Inspection and Follow-up Work of Peer-to-Peer Online Lending, which requires all peer-to-peer lending platforms to reduce the total outstanding peer-to-peer lending balance, the total number of borrowers, and the total number of individual investors. Three platforms operated by the Consolidated Affiliated Entities were engaging in peer-to-peer lending services at that time. After close consultation with regulators, we ceased enabling new loans using peer-to-peer funding since August 2019, and as of December 31, 2022, none remained outstanding. Nevertheless, we cannot assure you that we will not be subject to fines or other regulatory penalties for our historical peer-to-peer loans. Any of such events may materially and adversely affect our client relationship, reputation, and business operations.

Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation, and we cannot assure you that our historical practices would not be deemed to be a violation of unannounced or retroactively applied laws and regulations, which may subject us to fines and other administrative sanctions and adversely affect our reputation, business prospects and financial condition.

Changes to our business model may subject us to similar risks with respect to our current products or services that we discontinue, including complaints from customers, damage to our brand, and regulatory scrutiny. See also “—We may be subject to risks due to the business conducted by our microloan subsidiaries prior to 2021.”

If our credit assessment and risk management model is flawed or ineffective, or if the data that we collect for credit analysis inaccurately reflects borrowers’ creditworthiness, or if we fail or are perceived to fail to effectively manage the default risks of loans we enable for any other reason, our business and results of operations may be adversely affected.

Our ability to attract borrowers and funding partners and build trust in our capabilities is significantly dependent on our ability to effectively evaluate borrowers’ credit profiles and manage default risks. If any of our decision-making and scoring systems, including the algorithms, data processing and other technologies underlying our credit assessment and risk management model, contain programming or other errors, or are ineffective or the data provided by borrowers or third parties are incorrect or stale, our loan pricing and approval process could be negatively affected, resulting in mispriced or misclassified loans or incorrect approvals or denials of loans.

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In addition, if we fail to discover borrower fraud or intentional deceit, the quality of our credit management may be compromised and we may be subject to liability under the relevant laws and regulations. We cannot assure you that we would not be subject to liability if we fail to detect any fraudulent behavior. If we incur such liabilities, our results of operations and financial condition could be materially and adversely affected.

The completeness and reliability of consumer credit history information in the PRC is relatively limited. The People's Bank of China has developed and put into use a national personal and corporate credit information database which remains relatively underdeveloped. The information and data we obtain ourselves or from external parties for credit assessment and risk management purposes may be inaccurate or incomplete. We are also unable to accurately monitor whether a prospective borrower has obtained loans through online retail credit enablement platforms, creating the risk whereby a borrower may utilize our credit products to pay off loans from other sources. There is also a risk that, following our access to a borrower's information, the borrower may have become delinquent in the payment of an outstanding obligation, defaulted on a pre-existing debt obligation, taken on additional debt, or sustained other adverse financial events.

In addition, various factors could affect our borrowers' repayment ability, such as economic and other conditions affecting our borrowers and their businesses and industries, the cash flow of individual borrowers and the amounts and terms of the loans. If a borrower's financial condition deteriorates after his or her loan application is approved, we may not be able to take sufficient and effective measures in time to prevent default on the part of the borrower. We may also be unable to monitor our borrowers' actual use of the loans we enabled, verify if our borrowers have other undisclosed borrowings, or detect our borrowers' suspicious or illegal transactions, such as money laundering activities in our business, which may expose us to financial and/or reputational damage. If we are unable to effectively maintain a reasonably low default rate for loans we enable, our financial condition, results of operations and business prospects may be materially and adversely affected.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes of financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs.

As of December 31, 2020, 2021 and 2022, our financial assets at fair value through profit or loss were RMB34.4 billion, RMB31.0 billion and RMB29.1 billion (US\$4.2 billion), respectively. Our Group applied the discounted cash flow models and other similar techniques to determine the fair value of the financial assets at fair value through profit or loss classified as level 3 of the fair value hierarchy for financial reporting purpose. Determining whether to classify financial instruments into level 3 of the fair value hierarchy is generally based on the significance of the unobservable factors involved in valuation methodologies. The fair values of these financial instruments are based on cash flow discounted using the expected return according to management's estimates. The estimation of these financial assets at fair value through profit or loss primarily uses unobservable inputs, such as the estimated future cash flows and the expected discount rate of the investment products.

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Therefore, the valuation of fair value change of financial assets at fair value through profit or loss are subject to uncertainties in estimations. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. It may lead to changes in the fair value of financial assets at fair value through profit and loss, and changes in such fair value may affect our financial performance. In addition, the valuation methodologies may involve a significant degree of management judgment and are inherently uncertain, which may result in material adjustment to the carrying amounts of certain liabilities and in turn may materially and adversely affect our results of operations. As such, the financial assets at fair value through profit or loss valuation has been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these financial assets and result in significant fluctuations in profit or loss from year to year.

We incurred and may continue to incur impairment losses on our intangible assets and goodwill.

Our intangible assets consist of trademarks and licenses, computer software and others, that were primarily acquired in business combination as part of our reorganization of the Group, recognized at fair value at the date of acquisition and are subsequently amortized on a straight line basis. We recorded intangible assets of RMB1.9 billion, RMB899.4 million and RMB885.1 million (US\$127.3 million) as of December 31, 2020, 2021 and 2022, respectively. Goodwill arising from acquisitions represents the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. As of December 31, 2020, 2021 and 2022, we had goodwill of RMB9.0 billion, RMB8.9 billion and RMB8.9 billion (US\$1.3 billion), respectively. Intangible assets and goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. RMB64.2 million, RMB1.0 billion and RMB602.6 million (US\$86.6 million) were recognized as impairment in respect of the intangible assets as of December 31, 2020, 2021 and 2022, respectively. RMB70.6 million, RMB199.3 million and RMB76.9 million (US\$11.1 million) were recognized as impairment loss in respect of the goodwill as of December 31, 2020, 2021 and 2022, respectively. The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions, and unpredictable adverse changes in the future may also result in decreases in the value of our intangible assets and goodwill. Therefore, we cannot assure you that these assumptions and estimates would not result in outcomes that require a material adjustment to the carrying amounts of these intangible assets and goodwill in the future, which may in turn result in impairment losses. Significant impairment losses on intangible assets and goodwill may have a material adverse effect on our financial condition and results of operations, and may in turn limit our ability to obtain financing in the future.

We may face risk regarding the recoverability of deferred tax assets.

As of December 31, 2020, 2021 and 2022, our deferred tax assets amounted to RMB3.4 billion, RMB4.9 billion and RMB5.0 billion (US\$717.5 million), respectively. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. For details of the movements of our deferred tax assets during the

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Track Record Period, please see note 22 in Appendix I to this listing document. This requires significant judgment on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets. In the case that the value of the deferred tax assets has changed, we may have to write-down the deferred tax assets, which may significantly affect our expenditure, profit and loss and financial condition in that respective year.

A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business and financial condition.

COVID-19 has had a severe and negative impact on the Chinese and the global economy since 2020. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including problems that may arise from the unwinding of those policies. The Federal Reserve has signaled its intention to raise interest rates in the United States. Recently, the Russia-Ukraine conflict has caused, and continues to intensify, significant geopolitical tensions in Europe and across the world. This conflict and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. In addition, SBOs as our customers are more vulnerable to changes in macroeconomic conditions. If macroeconomic conditions deteriorate, SBOs may be directly hit, which in turn may lead to higher default rates or decreasing borrowings. As a result, any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

A credit crisis or a prolonged downturn in the credit markets may materially and adversely impact our reputation, business, results of operations and financial position.

Our business is subject to credit cycles associated with the volatility of the overall economy. In particular, the operations of our business may be severely affected in a credit crisis or prolonged downturn in the credit markets. For example, we may face increased risk of default or delinquency of borrowers, which will result in lower returns or losses for our funding partners, credit enhancement providers and us. In the event that the creditworthiness of our borrowers deteriorates or we cannot accurately track the deterioration of their creditworthiness, the criteria we use for the analysis of borrower credit profiles may be rendered inaccurate, and our risk management system may be rendered ineffective. This in turn may lead to higher default rates and an adverse impact on our reputation, business, results of operations and financial position as well as our ability to retain existing or attract new funding partners and credit enhancement providers.

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In addition, a credit crisis or prolonged downturn in the credit markets might cause tightening in credit guidelines, limited liquidity, deterioration in credit performance and increased foreclosure activities. Since we generate a large proportion of our income from fees charged for services, a decrease in loans enabled could cause a material decline in our income for the duration of a crisis or downturn. Funding partners and credit enhancement providers may increase their fees when they perceive heightened credit risks, which may have a material and adverse impact on our profitability. Moreover, a financial and credit crisis may be coupled with or trigger a downturn in the macroeconomic environment, which could cause a general decrease in lending and investment activities over a prolonged period of time and materially and adversely impact the industry we operate in. If a credit crisis or prolonged downturn were to occur, particularly in China's credit markets, our business, financial performance and prospects may be materially and adversely affected.

Furthermore, a credit crisis may lead to fluctuations in interest rates. If the prevailing market interest rates rise while borrowers are unwilling to accept a corresponding increase in interest rates, funding partners may be deterred from providing funding. Funding from trusts may be more sensitive to volatility in the credit markets than funding from commercial banks or other financial institutions, and to the extent that we rely on funding from trusts, we may be unable to obtain sufficient funding for loans we enable. If our borrowers decide not to utilize our credit products because of increases in interest rates, our ability to retain existing borrowers and attract or engage prospective borrowers as well as our competitive position may be severely limited. We cannot assure you that we will be able to effectively manage such interest rate risk at all times or pass on any increase in interest rates to our borrowers. If we are unable to effectively manage such an increase, our business, profitability, results of operations and financial condition could be materially and adversely affected. If the prevailing market interest rates decrease and we fail to adjust the interest rates for borrowers, prospective borrowers may choose to borrow from other sources to take advantage of the lower funding cost offered elsewhere. As a result, any fluctuation in the overall interest rate environment may discourage borrowers from making credit applications from us or utilize their approved credit, which may adversely affect our business.

Our transaction process may result in misunderstanding among our borrowers.

Our paperless application process is implemented primarily on our mobile apps, which involves certain inherent risks. Our borrowers may not read the electronic agreements closely, which may result in misunderstanding of certain terms and conditions. Furthermore, information in our product promotion materials and on our app may result in misunderstanding among our borrowers and be deemed misleading. Borrowers may be confused by the fee structure that is applied to their loans or allege that the fees were not presented and explained in a transparent manner. If the government authorities or the courts determine that information disclosed in our product promotion materials and on our app is misleading, the courts may support the borrower's request to rescind the agreement or determine a lower interest and service fee to be payable by the borrower, and we may be subject to fines and penalties by the courts and government authorities for the misleading promotion. In addition, misunderstandings may give rise to negative publicity and complaints among our borrowers, harm our brand name and reputation and in turn hurt our ability to retain and attract borrowers, which could have a material adverse effect on our business, financial condition and results of operations.

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Information regarding individuals to whom we provide our financial services may not be complete, and our ability to perform due diligence, detect borrower fraud or manage our risks may be compromised as a result.

Our operations depend heavily on the effectiveness of our KYC (know-your-customer), KYB (know-your-business) and other due diligence efforts. For example, we rely on our KYC and KYB data to assess borrowers' creditworthiness for our retail credit and enablement business. We also rely on borrowers themselves and our internal and external data sources to conduct due diligence and verify the information obtained. For more details, see "Business—How We Enable Our Institutional Partners—Credit Analytics—Data." Incomplete or inaccurate information may not only result in additional efforts and related costs, but may also undermine the effectiveness of our KYC, KYB and other due diligence efforts. We cannot assure you that we will uncover all material information necessary to make fully informed decisions, nor can we assure you that our KYC and KYB will be sufficient to assess borrowers' creditworthiness or detect fraud committed by borrowers in all cases. In addition to the risk of default, there is a risk that ineffective KYC, KYB and other due diligence efforts could expose us to scrutiny from regulators regarding the suitability of borrowers for whom we enable loans. Any such failures could have a material adverse effect on our business, financial condition, results of operations and prospects.

If our ability to collect delinquent loans is impaired, or if there is actual or perceived misconduct in our collection efforts, our business, financial condition and results of operations might be materially and adversely affected.

We have implemented payment and collection policies and practices work, we retain both an internal collection team and outsource part of collection work to third parties. We cannot assure you that we will be able to collect payments on the transactions we enable as expected. In addition, we aim to control bad debts by utilizing and enhancing our credit assessment system rather than relying on collection efforts to maintain healthy credit performance. As such, our collection team may not possess adequate resources or workforce to collect payment on the loans we enabled. If we fail to adequately collect amounts owed, payments of principals and retail credit service fees may be delayed or reduced and our results of operations will be adversely affected. If the quality of our loan portfolio were to deteriorate as a result of ineffective collection, our funding partners and credit enhancement providers may decide not to continue to cooperate with us. See "—If our credit assessment and risk management model is flawed or ineffective, or if the data that we collect for credit analysis inaccurately reflects borrowers' creditworthiness, or if we fail or are perceived to fail to effectively manage the default risks of loans we enable for any other reason, our business and results of operations may be adversely affected." If the volume of loans we enable grows in the future, we may devote additional resources into our collection efforts. However, there can be no assurance that we would be able to utilize such additional resources in a cost-efficient manner.

The labor intense nature of collection work also makes it susceptible to disruption during emergencies, including during public health crises and similar events. Our collection team was not always capable of operating at full efficiency during the COVID-19 pandemic. In addition, the PRC government may curb our collection efforts during emergencies as a form of relief for borrowers, which may prevent us from collecting debts in a timely fashion or at all.

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Moreover, the current regulatory regime for debt collection in the PRC remains unclear and continues to evolve. The Notice on the Regulation and Rectification of the “Cash Loan” Business, or Circular 141, and subsequent rules and regulations provide that no institution or third-party agency shall collect loans by actual or threatened violence, intimidation, insult, defamation, harassment, disseminating private information, or other ways that cause harm. The Notice on Strengthening the Supervision and Management of Microloan Companies, issued by the CBIRC in September 2020, provides that microloan companies and third-party loan collection agencies may not collect loans by violence, or threats of violence, or intentionally inflicting bodily injury, or infringing upon personal freedom, or illegally occupying property, or interfering with daily life through insults, slander, harassment, or illegal infringement on privacy, or other illegal methods. However, there is uncertainty with respect to the definition and interpretation of the prohibited conducts. We may also be subject to new regulations that require licenses or certain qualifications for conducting a loan collection business. Also, we cannot assure you that our collection team or third-party collection service providers have not engaged in or will not engage in any aggressive practices or misconduct as part of their collection efforts. Any such historical or future misconduct by our collection team or the third-party service providers we work with, or the perception that our collection practices are aggressive or not compliant with the relevant laws and regulations, may result in harm to our reputation and business, which could further reduce our ability to collect payments from borrowers, lead to decrease in the willingness of prospective borrowers to apply for loans, as well as orders of suspension or rectification, cancelation of qualifications or fines and penalties imposed by the relevant regulatory authorities, any of which may have a material adverse effect on our results of operations.

We have extensive cooperation with Ping An Group in our business. If such cooperation is subject to any change or if Ping An Group cannot continue to support us, our business, financial performance and results of operations may be adversely affected.

We have extensive history and business relationships with Ping An Group and its related parties. Our strategic partnership with Ping An Group has contributed to our growth significantly. We provided a number of services, including loan account management, borrower referral service, wealth management product enablement, technology support and other services, to Ping An Group in 2020, 2021 and 2022. Ping An Group also provided us with technology support, payment, custodian, customer acquisition and other services during the same periods. See “Connected Transactions.”

There can be no assurance that Ping An Group will maintain its influence over us or will continue to support our business. If our relationship with Ping An Group or its related parties deteriorates and we are no longer able to access Ping An Group’s or its related parties’ services or continue to provide our services to them, we may not be able to continue certain of our business lines, which may have significant adverse impact on our business and results of operations. If entities within Ping An Group or its related parties which serve as our business partners and suppliers modify their fee structures or otherwise change their cooperation model with us, our business, results of operations and financial condition may be adversely affected. We may also face competition in a number of areas, including innovations in our businesses, which may be replicated quickly by our competitors, including members of Ping An Group or its related parties. Such competition may adversely affect our competitive position and business prospects.

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Our cooperation with various third parties is integral to the smooth operation of our business. If these third parties fail to perform or provide reliable or satisfactory services, our business, financial condition and results of operations may be materially and adversely affected.

We rely on third-party business partners and service providers, including Ping An Group, to operate various aspects of our business. In particular, third parties provide us with funding and credit enhancement for our SBO financial services business. Furthermore, third-party service providers maintain part of our technology systems and we rely on third parties for secure fund management and online payment and settlement.

Our relationships with various third parties are integral to the smooth operation of our business. Most of our agreements with third-party service providers are non-exclusive and do not prohibit third-party service providers from working with our competitors or from offering competing services. If our relationships with third-party service providers deteriorate or third-party service providers decide to terminate our respective business relationships for any reasons, such as to work with our competitors on more exclusive or favorable terms or if they themselves become our competitors, our operation may be disrupted. In addition, our third-party service providers may not meet the standards that we expect and require under our agreements, and disagreements or disputes may arise between us and the third-party service providers.

For example, our third-party credit enhancement providers may limit the credit enhancement services available to our borrowers in the future, and regulatory authorities may limit our third-party credit enhancement providers' ability to provide services to us. In addition, we may be subject to the cyclical fluctuation of the credit enhancement industry. For the most part, we rely on Ping An P&C, a member of Ping An Group, to supply credit enhancement. Of the 76.1% of outstanding loans we enabled under our Puhui brand as of December 31, 2022 that were guaranteed or insured by third-party credit enhancement providers, Ping An P&C provided 70.6% of the third-party credit enhancement, while 5.5% was guaranteed or insured by other third parties. If (i) there is a cyclical downturn in the credit enhancement industry, or (ii) our partners cannot provide as much credit enhancement as our borrowers need, our business, financial condition and results of operations will be adversely affected.

We rely on third-party payment channels and custodian banks in handling fund transfers and settlements. Third-party payment agents in China are subject to oversight by the People's Bank of China and must comply with complex rules and regulations, licensing and examination requirements. If our third-party payment agents or the custodian banks we collaborate with are to suspend, limit, adjust or cease their operations or are subject to regulations or regulatory rectifications required by various regulatory authorities, or if our relationships with our third-party payment agents deteriorate or they were to otherwise terminate, we would need to arrange substantially similar arrangements with other third-party payment agents. Negative publicity about our third-party payment agents or the industry in general may also adversely affect funding partners' or borrowers' confidence and trust in the use of third-party payment agents to provide payment and custodian services. In addition, our third-party payment channels or custodian banks may fail to function effectively. If any of the foregoing were to happen, our operations could be materially impaired and our results of operations would suffer.

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If we are unable to maintain or increase the amount of loans we enable or if we are unable to retain existing borrowers or attract new borrowers, our business, financial condition and results of operations will be adversely affected.

The volume of new loans we enable is one of the key metrics for our financial performance. Our total volume of new loans grew from RMB565.0 billion in 2020 to RMB648.4 billion in 2021, then decreased to RMB495.4 billion (US\$71.2 billion) in 2022. The success of our business depends on whether we can retain existing borrowers and continually attract additional borrowers and funding partners.

If there are insufficient qualified loan requests, funding partners may be unable to deploy their capital through loans we enable in a timely or efficient manner and may seek other opportunities, including those offered by our competitors. Conversely, if there are insufficient commitments from funding partners, borrowers may not obtain enough capital through loans we enable and may turn to other sources for their needs.

The overall transaction volume may be affected by the following factors:

- our brand recognition and reputation;
- the cost the borrowers bear;
- the return rates offered to funding partners relative to market rates;
- the financing service fees charged;
- our efficiency in acquiring and engaging prospective borrowers;
- our ability to grow our SBO ecosystem and convert ecosystem participants to active borrowers;
- utilization of the credit we approve;
- the effectiveness of our credit assessment model and risk management system;
- our ability to secure sufficient and cost-efficient funding;
- borrowers' experience on our mobile apps; and
- the PRC regulatory environment governing our industry and the macroeconomic environment.

In connection with the introduction of new products or in response to general economic conditions, we may impose more stringent borrower or product provider qualifications to ensure the quality of the transactions we enable, which may negatively affect the growth of transactions we enable.

If any of our current borrower acquisition channels becomes less effective, or any of our borrower acquisition channel partners are no longer able or willing to continue to work with us for regulatory or other

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reasons, or we are otherwise unable to continue to use any of these channels, or we are not successful in using new channels, we may not be able to attract new borrowers and funding partners in a cost-effective manner or convert potential borrowers into active borrowers, and may lose our existing borrowers to our competitors. If any of the above occurs, we may be unable to increase our loan transaction volume and income as we expect, and our business and results of operations may be adversely affected.

The retail credit and enablement service fees we charge may decline in the future due to factors beyond our control and any material decrease in such service fees could harm our business, financial condition and results of operations.

We generate a significant part of our income from service fees we charge. In 2022, retail credit and enablement service fees accounted for 49.2% of our total income. Any material decrease in our retail credit and enablement service fees would have a substantial impact on our income and profitability. For example, our borrowers' repayment behaviors and early repayment options affect the effective tenors of the loans we enable. Borrowers' early repayments of loans reduce the number of months that our retail credit and enablement service fees or interest income can be recognized and thus affect the total amount of our fees and interest income in absolute terms. In the event that the amount of retail credit and enablement service fees we charge for loans we enabled decrease significantly in the future and we are not able to reduce our costs and expenses, our business, financial condition and results of operations will be harmed.

The level of retail credit and enablement service fees we charge may be affected by a variety of factors, including our borrowers' creditworthiness, the competitive landscape of our industry, the availability of funding and existing or new regulatory requirements. Our retail credit and enablement service fees may also be affected by changes in product and service mix and changes to our borrower engagement initiatives. Our competitors may offer more attractive fees, which may require us to reduce our retail credit and enablement service fees to compete effectively. Furthermore, as our borrowers establish their credit profile over time, they may qualify for and develop other consumer financing solutions with lower fees, including those offered by traditional financial institutions. In addition, our retail credit and enablement service fees are sensitive to many macroeconomic factors that are beyond our control, such as inflation, recession, the performance of credit markets, global economic disruptions, unemployment and fiscal and monetary policies. If the service fees we charge decrease significantly due to factors beyond our control, our business, financial condition and results of operations will be materially and adversely affected.

Failure to comply with existing or future laws and regulations related to data protection, data security, cybersecurity or personal information protection could lead to liabilities, administrative penalties or other regulatory actions, which could negatively affect our operating results and business.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of data and personal information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Regulatory authorities in virtually every jurisdiction in which we operate have implemented and are considering a number of legislative and regulatory proposals concerning data protection.

In recent years, the PRC government has tightened the regulation of the storage, sharing, use, disclosure and protection of personal data and user data, particularly personal data obtained through

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individuals' use of websites and online services. Relevant PRC laws and regulations require internet service providers and other network operators to clearly state the authorized purpose, methods and scope of the collection and usage of personal data and obtain the consent of users for the processing of this personal data, as well as to establish user information protection systems with remedial measures. The Cybersecurity Law became effective in June 2017 and requires network operators to follow the principles of legitimacy in collecting and using personal information. On June 10, 2021, the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會) published the Data Security Law of the People's Republic of China, which took effect on September 1, 2021. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed, and prohibits any individual or entity in China from providing data stored in China to foreign judicial or law enforcement departments without the approval of competent authorities in China. Moreover, on August 20, 2021, the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會) issued the Personal Information Protection Law (《中華人民共和國個人信息保護法》), which took effect on November 1, 2021, which further details the general rules and principles on personal information processing and further increases the potential liability of personal information processor.

On November 14, 2021, the CAC, published the Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Regulations on Cyber Data Security Management, which specifies that a data processor who seeks to list in Hong Kong, which affects or may affect the national security, should apply for cybersecurity review. As of the Latest Practicable Date, the draft measures have not yet promulgated into law. Therefore, as advised by our PRC Legal Adviser, as of the Latest Practicable Date, we were not required to apply for the cybersecurity review in accordance with the Draft Regulations on Cyber Data Security Management. On December 28, 2021, the CAC and twelve other government authorities published a new version of the Cybersecurity Review Measures, which replaced the Cybersecurity Review Measures published in 2020 and became effective on February 15, 2022. In accordance with the Cybersecurity Review Measures, (i) critical information infrastructure operators that intend to purchase internet products and services and online platform operators engaging in data processing activities, which affects or may affect national security, and (ii) a network platform operator that processes the personal information of more than one million users and intends for "foreign listing," must be subject to cybersecurity review. As advised by our PRC Legal Adviser, although several PRC laws and regulations have provided the definition of "critical information infrastructure," the exact scope of "critical information infrastructure operators" under the current regulatory regime remains unclear, and the identification of any specific critical information infrastructure is subject to industry-specific identification rules promulgated by relevant regulators and the notice from the relevant regulators. Additionally, the Cybersecurity Review Measures also grant the CAC and other competent authorities the right to initiate a cybersecurity review without application, if any member organization of the cybersecurity review mechanism has reason to believe any internet products, services or data processing activities affect or may affect national security. The Cybersecurity Review Measures further elaborate the factors to be considered when assessing the national security risks, including, among others, (i) the risk of core data, important data, or a large amount of personal information being stolen, leaked, destroyed, and illegally used or illegally transferred abroad, and (ii) the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign governments and the risk of

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cyber information security due to the listing. The PRC government authorities may have wide discretion in the interpretation of “affect or may affect national security”. If any of our business are deemed to “affect or may affect national security”, we may be subject to cybersecurity review. The Cybersecurity Review Measures provide no further explanation or interpretation. According to mainstream opinions, “foreign listing” does not include “listing in Hong Kong”.

Furthermore, on December 13, 2022, the MIIT released the Administrative Measures for Data Security in Industry and Information Technology Sectors (Trial) (《工業和信息化領域數據安全管理辦法(試行)》), or the Data Security Measures, which came into effect on January 1, 2023. The measures apply to data management in certain industries, including telecommunication sectors, where certain data we process is generated from. The Data Security Measures set out three categories of data: ordinary data, important data and core data. The processing of important data and core data is subject to certain filing and reporting obligations. Since the categories of important data and core data have not been released, it is uncertain how the measures will be interpreted and implemented. We have sorted and cataloged data we process and will take further measures as required.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Outbound Data Transfer (《數據出境安全評估辦法》), or the Measures on Security Assessment of Outbound Data Transfer, effective September 1, 2022. These measures shall apply to the security assessment of the provision of important data and personal information collected and generated by data processors in the course of their operations within the territory of the PRC by such data processors to overseas recipients, or the outbound data transfer. Where there are other provisions in laws and administrative regulations, such other provisions shall prevail. These Measures specify that an outbound data transfer by a data processor that falls under any of the following circumstances, the data processor shall apply to the CAC for the security assessment via the local provincial-level cyberspace administration authority: (i) outbound transfer of important data by a data processor; (ii) outbound transfer of personal information by a critical information infrastructure operator or a personal information processor who has processed the personal information of more than 1,000,000 people; (iii) outbound transfer of personal information by a personal information processor who has made outbound transfers of the personal information of 100,000 people cumulatively or the sensitive personal information of 10,000 people cumulatively since January 1 of the previous year; or (iv) other circumstances where an application for the security assessment of an outbound data transfer is required as prescribed by the CAC. There is no outbound data transfer involved during our daily business operations.

On February 22, 2023, the Cyberspace Administration of China issued the Measures for Standard Contract for Outbound Data Transfer of Personal Information (《個人信息出境標準合同辦法》), which will come into effect on June 1, 2023. The measures provide a transitional period of six months from the effective date for companies to take necessary measures to comply with the requirements. According to the measures, in the cases where a personal information processor provides personal information abroad by concluding a standard contract, the contract should be concluded in strict compliance with the form Standard Contract, which is attached as an annex to the measures. The measures further provide that personal information processors may agree on other terms with overseas recipients, but they should not conflict with the Standard Contract. According to the measures, the personal information processor should within ten working days from the effective date of the standard contract, file with the local provincial

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network information department and submit the standard contract and personal information protection impact assessment report for record.

The relevant regulatory authorities in China continue to monitor websites and apps in relation to the protection of personal information and data, privacy and information security, and may impose additional requirements from time to time. There are uncertainties as to the interpretation and application of laws in one jurisdiction which may be interpreted and applied in a manner inconsistent to another jurisdiction and may conflict with our current policies and practices or require changes to the features of our system. As a result, we cannot assure that our existing user information protection system and technical measures will be considered sufficient under all applicable laws and regulations. If we are unable to address any information protection concerns, any compromise of security that results unauthorized disclosure or transfer of personal data, or to comply with the then applicable laws and regulations, we may incur additional costs and liability and result in governmental enforcement actions, litigation, fines and penalties or adverse publicity and could cause our borrowers and institutional partners to lose trust in us, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We collect, process and store significant amounts of personal information and data concerning our borrowers and investors, as well as personal information and data pertaining to our business partners and employees. Compliance with applicable personal data and data security laws and regulations is a rigorous and time-intensive process. As global data protection laws and regulations increase in number and complexity, we cannot assure you that our data protection systems will be considered sufficient under all applicable laws and regulations due to factors including the uncertainty of the interpretation and implementation of these laws and regulations. Furthermore, we cannot assure you that the information we receive from our third-party data partners are obtained and transmitted to us in full compliance with relevant laws and regulations. Moreover, there could be new laws, regulations or industry standards that require us to change our business practices and privacy policies, and we may also be required to put in place additional mechanisms ensuring compliance with new data protection laws, all of which may increase our costs and materially harm our business, prospects, financial condition and results of operations. We will actively monitor future regulatory and policy changes to ensure strict compliance with all then applicable laws and regulations. However, as the regulatory authorities have wide discretion on the interpretation and implementation of the applicable laws and regulations, we cannot assure you that the regulatory authorities will form the similar opinions as ours. Any failure or perceived failure by us to comply with applicable laws and regulations could result in reputational damage or proceedings or actions against us by governmental entities, individuals or others. These proceedings or actions could subject us to significant civil or criminal penalties and negative publicity, result in the delayed or halted processing of personal data that we need to undertake to carry on our business, as well as the forced transfer or confiscation of certain personal data.

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Misconduct and errors by our employees and our third-party business partners and service providers could subject us to liability and harm our business and reputation.

We operate in an industry in which integrity and the confidence of our borrowers and institutional partners are of critical importance. During our daily operations, we are subject to the risk of errors, misconduct and illegal activities by our employees and third-party business partners and service providers, including:

- engaging in misrepresentation or fraudulent activities when marketing our products or performing our services to borrowers;
- improperly acquiring, using or disclosing confidential information of our borrowers or other parties;
- failing to report conflicts of interest accurately or timely;
- concealing unauthorized or unsuccessful illegal activities; or
- otherwise not complying with applicable laws and regulations or our internal policies or procedures.

We have used and continue to use of third-party sales channels for some of the products we enable. Our ability to supervise third parties is limited. If third-party sales agents misrepresent the terms and conditions of the loans we enable or the risks of the wealth management products we enable, customers may be unable to repay their loans or they may lose money on their investments. If customers seek to hold us responsible through the courts, the government or the media, we may incur legal liability, we may be required to indemnify customers for their losses and our reputation may be damaged.

Errors, misconduct and illegal activities by our employees, or even unsubstantiated allegations of them, could result in a material adverse effect on our reputation and our business. It is not always possible to identify and deter misconduct or errors by employees or third-party partners, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. If any of our employees engages in misrepresentation, illegal or suspicious activities or other misconduct, we could suffer economic losses and may be subject to regulatory sanctions and significant legal liability, and our financial condition, customer relationships and our ability to attract new customers may be adversely affected as a result. If any sanction was imposed against an employee during his employment with us, even for matters unrelated to us, we may be subject to negative publicity which could adversely affect our brand, public image and reputation, as well as potential challenges, suspicions, investigations or alleged claims against us. We could also be perceived to have enabled or participated in the misrepresentation, illegal activities or misconduct, and therefore be subject to civil or criminal liability. See “—Fraudulent activities on our mobile apps could negatively impact our operating results, brand and reputation and cause the use of our retail credit and enablement products and services to decrease.” In addition, if any third-party business partners or service providers become unable to continue to provide services to us or cooperate with us as a result of regulatory actions, our business, results of operations and financial condition may also be materially and adversely affected.

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We and our directors, management and employees have been and may continue to be subject to complaints, claims, controversies, regulatory actions, arbitration and legal proceedings, which could have a material adverse effect on our results of operations, financial condition, liquidity, cash flows and reputation.

We and our directors, management and employees have been and may continue to be subject to or involved in various complaints, claims, controversies, regulatory actions, arbitration, and legal proceedings. Complaints, claims, arbitration, lawsuits and litigations are subject to inherent uncertainties, and we are uncertain whether the foregoing claims would develop into lawsuits or regulatory penalties and other disciplinary actions. Lawsuits, litigations, arbitration and regulatory actions may cause us to incur substantial costs or fines, utilize a significant portion of our resources and divert management's attention from our day-to-day operations, or materially modify or suspend our business operations, any of which could materially and adversely affect our financial condition, results of operations and business prospects. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

Defending litigation or other claims against us is costly and can impose a significant burden on our management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. For example, we may not have kept sufficient or complete record to defend ourselves against potential claims from borrowers or investors who used our services. Such claims may result in liability and harm our reputation. In addition, there can be no assurance that we will be successful in the claims we pursue against delinquent borrowers or other parties. Any resulting liability, losses or expenses, or changes required to our businesses to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects. There remain uncertainties in the interpretation of PRC laws in different jurisdictions, and an adverse outcome of a single claim against us in one jurisdiction regarding our business practices may result in significant negative publicity and heightened scrutiny by regulators and courts of our business and operations across the country, or potential penalties or other regulatory actions against us. Any of such outcomes may cause significant disruptions to our operations and materially and adversely affect our results of operations and financial condition.

We may be subject to claims under consumer protection laws and regulations.

The PRC government, media outlets and public advocacy groups have been increasingly focused on consumer protection, especially on financial consumer protection, in recent years. On November 21, 2020, the Inspection Office of General Office of the State Council and the General Office of the CBIRC issued a public announcement regarding non-compliance by certain banks and financial institutions that increased the financing cost of small and micro business owners. The announcement said that loan products offered to small and micro business owners by a certain bank and enabled by Puhui, as a cooperative institution, had been compulsorily bundled with insurance products and a high rate of service fees had been charged, resulting in increasing comprehensive financing costs to the borrowers. We modified our cooperation model with banks such that loan products issued by such institutions that we enable provide several options of insurance companies for borrowers to choose from. Nevertheless, any customer complaints, negative media coverage and claims or litigations as a result of alleged violation of consumer protection laws and

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regulations may materially harm our reputation and have an adverse impact on our business, results of operations and financial condition. See “Regulatory Overview—Regulations Relating to the Protection of Consumers Rights and Interests.”

If the products and services we offer do not maintain or achieve sufficient market acceptance, or if we are unable to effectively manage complaints and claims against us, our financial results and competitive position will be harmed.

We have devoted significant resources to, and will continue to put an emphasis on, upgrading and marketing the existing financial services products available on our mobile apps and our services as well as enhancing their market awareness. We also incur expenses and expend resources to develop and market new products and services that incorporate additional features, improve functionality or otherwise make our mobile apps more attractive to borrowers and funding providers. Nevertheless, products and services we offer may fail to attain sufficient market acceptance for many reasons, including:

- users may not find the terms of retail credit products we offer competitive or appealing;
- we may fail to predict market demand accurately and provide products and services that meet this demand in a timely fashion;
- borrowers and funding partners using our mobile apps may not like, find useful or agree with the changes we adopt from time to time;
- there may be defects, errors or failures on our mobile apps;
- there may be negative publicity, including baseless or ill-intentioned negative publicity, about the products or services available on our mobile apps, or the performance or effectiveness of our mobile apps; and
- regulations or rules applicable to us may constrain our operations and growth.

We launched a new small business owner value-added services platform in November 2022 to foster the growth of an SBO ecosystem, and we have begun to bring in additional service providers to give SBOs access to broader offerings beyond financial products. These include a forum for information exchange, social networking and a suite of digital SaaS solutions. Our goal is to provide SBOs the necessary connectivity and tools for more effective customer acquisition, easier transaction making and overall improved efficiency. There is no assurance that SBOs will find these products, services and solutions attractive or that the SBO ecosystem will contribute to our ability to acquire borrowers or improve our financial performance.

In addition, we have been subject to and may continue to face borrower and investor complaints, negative media coverage and claims or litigation. Large-scale complaints and negative publicity about us could materially harm acceptance of the products and services on our mobile apps. Short sellers may publish, circulate or otherwise amplify negative publicity about us in order to drive down the market value

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of our ADSs and Shares and profit from their short positions. Any complaint or claim, with or without merit, could be time-consuming and costly to investigate or defend, and may divert our management's and employees' time and attention, draw scrutiny, penalties or other disciplinary actions from regulatory bodies and materially harm our reputation. See “—We and our directors, management and employees have been and may continue to be subject to complaints, claims, controversies, regulatory actions, arbitration and legal proceedings, which could have a material adverse effect on our results of operations, financial condition, liquidity, cash flows and reputation” and “—Our business, financial condition, results of operations and prospects may be adversely affected as a result of any failure to protect or promote our brand and reputation, or negative media coverage of our industry or our principal shareholders.” In such events, our competitive position, results of operations and financial condition could be materially and adversely affected.

We are subject to risks related to our investment advisory business.

Some of our consolidated entities have conducted an investment advisory-related business in mainland China and in Hong Kong, and we may be required to indemnify clients to whom we provide investment advisory services in events of breach of contract or default by other parties to the investment agreements as a result of our contractual obligations. If such events occur, our business, results of operations and financial condition may be materially and adversely affected.

We face competition in the SBO financial services industry.

The SBO financial services industry in China is becoming increasingly competitive. We compete primarily with non-traditional financial service providers such as MYbank, WeBank, Du Xiaoman Financial and JD Technology and with traditional financial institutions, such as traditional banks, which are focused on retail and SMB lending. Many non-traditional financial service providers trace their origins back to services offered by a technology company, so they tend to compete with us in segments of the market that are more amenable to purely technological solutions and do not necessarily require strong financial expertise. Banks may compete with us as lenders or cooperate with us as funding partners. The PRC government is encouraging banks to increase their lending to the small business sector, which may cause them to pay more attention to the kinds of borrowers that we target than they have in the past. In addition, decreases in the maximum APR that can be charged to borrowers and our own increasing focus on high-quality borrowers to maintain credit quality may also cause our target borrowers to overlap more with those that banks have targeted in the past. Some of our larger competitors have significant financial resources to support heavy spending on sales and marketing and to provide more services to customers. We believe that our ability to compete effectively for borrowers depends on many factors, including the variety of our products, user experience on our mobile apps, effectiveness of our risk management, our partnership with third parties, our marketing and selling efforts and the strength and reputation of our brand. Furthermore, as our business continues to grow rapidly, we face significant competition for highly skilled personnel. The success of our growth strategy depends in part on our ability to retain existing personnel and add additional highly skilled employees. Failure to compete effectively in our industry can lead to reduced income and market recognition, and result in material and adverse impact on our business, financial condition and results of operations.

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As we continue to expand our business, we may enter into new business lines and offer new products or services. Development and innovation in our business may expose us to new challenges and risks, including regulation or supervision of regulatory authorities.

We may expand into new business lines as we continue to grow and offer new products and services to our customers in the future. The entry into new areas of business and introduction of new products and services may have inherent and unforeseeable risks and may bring the attention of regulatory authorities. Regulatory measures may impede the conduct of our new businesses and render future innovation unsuccessful. New business operations, products and services also require significant expense and resources to attract and acquire customers, and they may fail to gain market acceptance for a variety of reasons:

- our estimate of market demand may not be accurate so that we may not be able to launch products and services that align with and meet specific market demand, or there may not be sufficient market demand for our new business operations;
- changes on our mobile apps, including the introduction of new services and mobile app functions, may not be favorably accepted by existing users;
- we may fail to properly assess creditworthiness of new borrowers, or accurately price new loan products;
- negative publicity or news about our existing products and services may dissuade customers from trying new products and services;
- we may experience delays in launching the new business operations or loan and investment products or services; and
- our competitors may offer products and services that are more attractive.

If our current or future products and services are not sufficiently attractive to our customers, become obsolete or fail to satisfy the demands of borrowers, we may be unable to successfully compete. Our market share may decline, and our business, financial condition and results of operations will be materially affected.

Fraudulent activities on our mobile apps could negatively impact our operating results, brand and reputation and cause the use of our retail credit and enablement products and services to decrease.

We are subject to risks associated with fraudulent activities on our mobile apps as well as risks associated with handling borrower and client information. Our resources, technologies and fraud detection tools may be insufficient to accurately detect and prevent fraud. Fraudulent information such as fake identification information and fraudulent credit card transaction records and statements could compromise the accuracy of our credit analysis and adversely affect the effectiveness of our control over our delinquency rates. See “—If our credit assessment and risk management model is flawed or ineffective, or if the data that we collect for credit analysis inaccurately reflects borrowers’ creditworthiness, or if we fail or are perceived

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to fail to effectively manage the default risks of loans we enable for any other reason, our business and results of operations may be adversely affected.” Third parties and our employees may also engage in fraudulent activities, such as conducting organized fraud schemes and fraudulently inducing funding partners to lend. In addition, a significant increase in high profile fraudulent activities could negatively impact our brand name and reputation, discourage funding partners and borrowers from extending credit on or using our mobile apps, lead to regulatory intervention, significantly divert our management’s attention and cause us to incur additional expenses and costs. If any of the foregoing were to occur, our business, results of operations and financial condition could be materially and adversely affected.

If we fail to protect our mobile apps or the confidential information of our borrowers, whether due to cyber-attacks, computer viruses, physical or electronic break-in, breaches by employees and third parties or other reasons, we may be subject to liabilities imposed by relevant laws and regulations, and our reputation and business may be materially and adversely affected.

Our computer system and data storage facilities, the networks we use, the networks of other third parties with whom we interact, are potentially vulnerable to physical or electronic computer break-ins, viruses and similar disruptive problems or security breaches. A party that is able to circumvent our security measures could misappropriate proprietary information or customer information, jeopardize the confidential nature of the information we transmit over the internet and mobile network or cause interruptions in our operations. We or our service providers may be required to invest significant resources to protect against the threat of security breaches or to alleviate problems caused by any breaches.

In addition, we collect, store and process certain personal and other sensitive data concerning our borrowers and investors, which makes us a potentially vulnerable target to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions, some of which could breach our security measures. Because the techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we may not be able to anticipate these techniques or implement adequate preventative measures. Any accidental or willful security breaches or other unauthorized access to our system could cause confidential information to be stolen and used for criminal purposes. Security breaches or unauthorized access to or sharing of confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. In addition, leakages of confidential information may be caused by third-party service providers or business partners. If security measures are breached because of third-party action, employee misconduct or error, failure in information security management, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our relationships with borrowers and institutional partners could be severely damaged, we may become susceptible to future claims if our borrowers and institutional partners suffer damages, and could incur significant liability, and our business and operations could be adversely affected.

We are subject to governmental regulation and other legal obligations related to the protection of personal data, privacy and information security in the regions where we do business, and there has been and may continue to be a significant increase in such laws that restrict or control the use of personal data. See “—Failure to comply with existing or future laws and regulations related to data protection, data security,

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cybersecurity or personal information protection could lead to liabilities, administrative penalties or other regulatory actions, which could negatively affect our operating results and business.”

Any failure to obtain, renew or retain requisite approvals, licenses or permits applicable to our enablement of wealth management products may have a material adverse effect on our business, financial condition and results of operations.

The internet-related laws and regulations issued by PRC government are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Currently, there has been no specific regulation pertaining to the requisite approvals, licenses or permits applicable to a mobile app like Lufax App. However, new laws, rules, regulations, measures, policies or interpretations may arise from time to time in the future. We may be required to obtain various approvals, licenses and permits from different regulatory authorities in order to offer certain categories of our wealth management products online.

Due to the complexities, uncertainties and frequent changes in laws, rules, regulations and their interpretation and implementation, we may not always be able to obtain all the applicable approvals, licenses and permits, and we may be penalized by governmental authorities for facilitating products or providing services without proper approvals, licenses or permits. For example, we cannot assure you that we will not be required to obtain any additional value-added telecommunications services covering internet information services, or ICP license, or additional license for value-added telecommunications services covering online data processing and transaction processing business, or EDI license, for our current wealth management business operations. Moreover, as we continue to increase the product and service selection on our mobile apps, we may also become subject to new or existing laws and regulations that did not affect us in the past. Failure to obtain, renew, or retain requisite licenses, permits or approvals may adversely affect our ability to conduct or expand our business.

In addition, we have upgraded and moved our wealth management investors' balances from our system, which we offered as an add-on service to streamline our investors' subscription process at their consent, to bank accounts with a commercial bank for substantially all of our active investors. With this new service, our investors can use their bank account balances to directly purchase wealth management products displayed on our mobile apps. However, our historical practice of allowing our investors to top-up and transfer their balances on our system to purchase wealth management products and withdraw the funds to their bank accounts may be deemed to be engaging in payment services without having obtained the required licenses in violation of Administrative Measures for the Payment Services Provided by Non-financial Institutions and the Notice of the General Office of the People's Bank of China on Further Strengthening the Disciplinary Action against Unlicensed Transaction of Payment Business. Thus, we cannot be certain that the measures or the circular will not apply or that our past practices would not be deemed to violate any existing or future laws, regulations and rules or subject us to regulatory penalties.

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The wealth management products displayed on our mobile apps involve various risks, and failure to identify or fully appreciate such risks will negatively affect our reputation, client relationships, operations and prospects.

We display a broad variety of wealth management products on our mobile apps, including asset management plans, mutual funds, private investment funds and trust products, among others. These products often have complex structures and involve various risks, including default risk, interest rate risk, liquidity risk and other risks. In addition, third parties we collaborate with might be confronted with liquidity risks, which may expose our investors to the liquidity risks in the products we display on our mobile apps. Moreover, the wealth management products available on our mobile apps are also subject to systematic risk and market volatility, which may reduce the value of the investments of our investors regardless of the performance or profitability of the businesses underlying such investment products.

Neither the principal nor the return of the wealth management products available on our mobile apps is guaranteed by us. Nevertheless, our investors may attempt to hold us responsible for their losses, which could harm our reputation and result in reduced traffic to our mobile apps. Furthermore, we may face pressure from regulatory authorities to share losses incurred by our investors in order to maintain social harmony and financial market stability, which can have a material and adverse impact on our business, results of operations and financial condition.

In addition, our suitability management and transparent disclosure policies and procedures may not be fully effective in mitigating suitability-related risks in all scenarios. If we or our customer service personnel are found to have engaged in suitability-related misconduct, we may be held responsible when our investors incur losses, and our reputation, client relationships, business and prospects will be materially and adversely affected. For more details on risks relating to our product risk management, see “—Information regarding individuals to whom we provide our financial services may not be complete, and our ability to perform due diligence, detect borrower fraud or manage our risks may be compromised as a result.”

Our business, financial condition, results of operations and prospects may be adversely affected as a result of any failure to protect or promote our brand and reputation, or negative media coverage of our industry or our principal shareholders.

Our reputation and brand recognition plays an important role in earning and maintaining the trust and confidence of our existing and potential borrowers and institutional partners. Our reputation and brand are vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate. Regulatory inquiries or investigations, lawsuits initiated by borrowers, users or other third parties, employee misconduct, and perceptions of conflicts of interest and rumors, among other things, could substantially damage our reputation, even if they are baseless or satisfactorily addressed. In addition, any perception that the quality of products and services available on our mobile apps may not be the same as or better than those available elsewhere can also damage our reputation. Moreover, any negative media publicity about the financial services industry in general or product or service quality problems of others in our industry, including our competitors, may also negatively impact our reputation and brand. In addition, Ping An Group, one of our principal shareholders, may from time to time be subject to negative media coverage. If we are unable to maintain a good reputation or further enhance our brand recognition, our

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ability to attract and retain users, customers, third-party partners and key employees could be harmed and, as a result, our business and income would be materially and adversely affected.

Ping An Insurance has considerable influence over us and our affairs and strategy and some of their interests may not be aligned with the interests of our other Shareholders.

Ping An Insurance is one of our principal shareholders. As of the Latest Practicable Date, the total of all the Shares beneficially owned by Ping An Insurance, through An Ke Technology and Ping An Overseas Holdings, is approximately 41.4% of our issued and outstanding Shares. As a result, Ping An Insurance exerts considerable influence on our Board and management. They will continue to have considerable influence over our corporate affairs, including significant corporate actions such as mergers, consolidations, election of Directors and amending our constitutional documents.

When exercising its rights as our Shareholder, Ping An Insurance may take into account not only the interests of the Company and our other Shareholders but also its own interests, the interests of its shareholders and the interests of its other affiliates. The interests of the Company and our other shareholders may conflict with the interests of Ping An Insurance and its Shareholders and other affiliates. These types of conflicts may result in our losing business opportunities, including opportunities to enter into lines of business that may directly or indirectly compete with those pursued by Ping An Insurance or the companies within its ecosystem, and will limit your ability to influence corporate matters and may discourage, delay or prevent potential merger, takeover or other change of control transactions, which could have the effect of depriving holders of our Shares or ADSs of the opportunity to sell their Shares or ADSs at a premium over the prevailing market price.

Our shareholding structure is subject to further change, which could dilute the interests of existing shareholders or have a material adverse effect on our share price, our ability to raise funds and our funding costs.

On September 30, 2020, we issued Automatically Convertible Notes and Optionally Convertible Notes in a total principal amount of US\$1,361,925,000 to certain holders of our Class C ordinary shares, in exchange for a total of 45,287,111 Class C ordinary shares held by them. The Automatically Convertible Notes were converted into 7,566,665 ordinary shares upon the closing of our initial public offering in the United States in November 2020. Taking into account the dividend announced on March 13, 2023, the Optionally Convertible Notes can be converted into an aggregate of 44,495,717 ordinary shares up to the Latest Practicable Date. For further details of Automatically Convertible Notes and Optionally Convertible Notes, see “History and Corporate Structure—Major Shareholding Changes of the Company and Our Principal Subsidiaries—Shareholding changes of the Company—C-Round Restructuring Convertible Notes.” In October 2015, in connection with our acquisition of the retail credit and enablement business from Ping An Insurance, we issued Ping An Convertible Promissory Notes in a total principal amount of US\$1,953.8 million to Ping An Overseas Holdings, and subsequently Ping An Overseas Holdings agreed to transfer US\$937.8 million of the outstanding principal amount of the Ping An Convertible Promissory Notes and all rights, benefits and interests attached thereunder to An Ke Technology. In December 2022, the Company, Ping An Overseas Holdings and An Ke Technology entered into an amendment and supplemental agreement to amend the terms of the Ping An Convertible Promissory Notes, pursuant to

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which the Company agreed to redeem 50% of the outstanding principal amount of the Ping An Convertible Promissory Notes from Ping An Overseas Holdings and An Ke Technology, and the remaining outstanding principal amount of the Ping An Convertible Promissory Notes can be converted into the Shares at any time from April 30, 2026 until the date which is five business days before (and excluding) October 8, 2026, at an initial conversion price of US\$14.8869 per ordinary share subject to certain adjustments as set forth in each of the Ping An Convertible Promissory Notes. For further details of Ping An Convertible Promissory Notes, see “History and Corporate Structure—Major Shareholding Changes of the Company and Our Principal Subsidiaries—Shareholding changes of the Company—Convertible Promissory Notes Issued to Ping An Overseas Holdings and An Ke Technology.” As of the Latest Practicable Date, options to purchase a total of 14,226,039 ordinary shares and performance share units to receive a total of 2,271,573 ordinary shares are outstanding under the Share Incentive Plans. In the event that the conversion of the Optionally Convertible Notes, the conversion of the Ping An Convertible Promissory Notes, exercise of the outstanding options or the vesting of performance share units happens, our shareholding structure may change and the shareholding percentage of our existing Shareholders and investors will be diluted.

Further, the CBIRC promulgated the Measures for the Supervision and Administration of Insurance Group Companies on November 24, 2021 to strengthen the supervision and management of insurance companies. The measures restated that an insurance group company cannot hold a more than 25% shareholding in a non-financial enterprise or have a material influence in a non-financial enterprise, with certain exceptions. Ping An Insurance is one of our principal shareholders. As of the Latest Practicable Date, the total of all the Shares beneficially owned by Ping An Insurance, through An Ke Technology and Ping An Overseas Holdings, is approximately 41.4% of our issued and outstanding Shares. As the measures are relatively new, there are still uncertainties regarding its interpretation and implementation. If the government authorities determine that we are a non-financial enterprise, Ping An Insurance may need to adjust its shareholding percentage in our company. In the event that Ping An Insurance ceases to be our Controlling Shareholder, we believe that the Group can continue to maintain its collaborative relationship with Ping An Group on an on-going basis as our business and the business of Ping An Insurance are complementary and our business cooperation with Ping An Group is mutually beneficial. Through such cooperations, Ping An Group will continue to benefit from the revenue generated from the service fees charged for the provision of credit enhancement services to the borrowers we enable and the fees charged for the provisions of other services and products to us as disclosed in the section headed “Connected Transactions”. In addition, Ping An Group will also continue to benefit from the services and products we provide to them as disclosed in the section headed “Connected Transactions”. However, change in Ping An Insurance’s shareholding in our company could have a material adverse effect on our share price, our ability to raise funds and our funding costs.

We may be subject to risks due to the business conducted by our microloan subsidiaries prior to 2021.

Our three microloan subsidiaries stopped funding new loans in December 2020 in response to regulatory changes in China. We canceled the microloan business license held by our Shenzhen and Hunan microloan subsidiaries in May 2022 and April 2022, respectively, and we completed the de-registration of our Hunan microloan subsidiary at local Administration of Market Regulation in December 2022. Shenzhen microloan subsidiary is currently in the process of de-registration, which is estimated to be completed by the

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end of April 2023. Our application to change the business scope of our Chongqing microloan subsidiary to offline microloans has been approved. Our microloan subsidiaries had never been engaged in any peer-to-peer lending business in the past. However, our microloan subsidiaries were and are subject to laws, regulations and supervision by national, provincial and local government and judicial authorities, and we may be subject to risks due to the business conducted by our microloan subsidiaries prior to 2021.

The Civil Code of the PRC provides that no interest shall be deducted from the principal of loans in advance, and if any interest amount is deducted, the amount of principal and interest to be repaid by the borrower shall be calculated based on the actual amount borrowed. The Notice on Specific Rectification Implementation Measures for Risk of Online Microloan Businesses of Microloan Companies further prohibits the upfront deduction of interest, commission fees, management fees or deposits from loans by microloan companies before they are released to the borrowers. Such prohibition is also highlighted by the Notice on Strengthening the Supervision and Management of Microloan Companies issued by the China Banking and Insurance Regulatory Commission in September 2020, which provides that where a microloan company has deducted any upfront fees in violation of rules and regulations, the borrower will only need to repay the actual loan amount after the exclusion of the interest and fees deducted, and the loan's interest rate shall be calculated accordingly. Furthermore, Circular 141 prohibits unlicensed third-party platforms that cooperate with banking institutions to enable loans from collecting interest or fees from borrowers. Historically, the service fees and interest payment for a small part of our retail credit and enablement services by our microloan subsidiaries were arranged to be paid by the borrowers simultaneously when the principals of the funds were released to the borrowers. We ceased this upfront deduction collection method in 2018 and, as of December 31, 2022, none of our outstanding loans had fees deducted up-front in the past. We have gradually adjusted to charge fees through our licensed financing guarantee subsidiaries since early 2018.

In addition, some of our microloan subsidiaries maintained leverage ratios that were above the maximum level allowed historically. Since 2021, we have modified our microloan companies' business models in order to comply with the leverage ratio requirements and other laws, regulations, policies and measures for these companies in all of these jurisdictions. For example, on September 7, 2020, the CBIRC issued the Notice on Strengthening the Supervision and Management of Microloan Companies, or Circular 86. Adopted to regulate the operations of microloan companies, Circular 86 stipulates that the financing balance of a microloan company's funding by bank loans, shareholder loans and other non-standard financing instruments shall not exceed such company's net assets, and the financing balance of the microloan company funding by issuance of bonds, asset securitization products and other instruments of standardized debt assets shall not exceed four times of its net assets. Local financial regulatory authorities may further lower the leverage limits mentioned above.

On November 2, 2020, the CBIRC, the People's Bank of China and other regulatory authorities released a consultation draft of the Interim Measures for the Administration of Online Microloan Business (《網絡小額貸款業務管理暫行辦法(徵求意見稿)》), which states that a microloan company must obtain the official approval of the CBIRC to conduct an online micro lending businesses outside the province where it is registered. In addition, the draft provides the statutory qualified requirements for an online microloan company, covering such things as registered capital, controlling shareholders, and use of the internet to

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engage in an online microloan business. In response to this, we stopped using our microloan subsidiaries to fund new loans in December 2020. As of December 31, 2022, the balance of legacy business of our Chongqing microloan subsidiary was RMB94.8 million. We have canceled the microloan business licenses held by our Shenzhen and Hunan microloan subsidiaries and we completed the de-registration of our Hunan microloan subsidiary at local Administration of Market Regulation in December 2022. Shenzhen microloan subsidiary is currently in the process of de-registration, which is estimated to be completed by the end of April 2023. We decided to de-register these two microloan subsidiaries due to the updates to our business model and our effort to optimize our organizational structure and management efficiency. We have also applied and obtained approval from the authorities regarding cancelation of the online loan business permit held by our remaining Chongqing microloan subsidiary. As a result, our Chongqing microloan subsidiary may only conduct an offline microloan business in the future.

On July 12, 2021, our Chongqing microloan subsidiary was fined RMB340,000 by the Chongqing Branch of the People's Bank of China for non-compliance that occurred in 2017, including, among other things, our overdue response to objections to personal credit information. As of the Latest Practicable Date, we had paid the fine in full and completed the relevant rectification. We may be subject to further regulatory warnings, correction orders, condemnation and fines regarding our historical microloan business and may be required to further modify our business if our microloan company is deemed to have violated national, provincial or local laws and regulations or regulatory orders and guidance in the future.

If we are unable to provide a high-quality customer experience, our reputation and business may be materially and adversely affected.

The success of our SBO financial services business largely depends on our ability to provide a high-quality customer experience, which in turn depends on factors such as our ability to provide a reliable and easy-to-use customer interface for our users, our ability to further improve and streamline our service process and our ability to continue to make available products and services at competitively low costs or high returns for our borrowers. If borrowers are not satisfied with our services, or if our system is severely interrupted or otherwise fails to meet their demand, our reputation could be adversely affected and we could fail to maintain user loyalty.

Our ability to provide high-quality customer experience also depends on the quality of the products and services provided by our business partners, such as third-party service providers who maintain our security systems and ensure confidentiality and security, over which we have limited or no control. In the event that a user is dissatisfied with the quality of the products and services provided by our business partners, we have limited means to directly make improvements in response to customer complaints, and our business, reputation, financial performance and prospects could be materially and adversely affected.

Furthermore, we depend on our customer service hotlines and online customer service centers to provide certain services to our users. If our customer service representatives fail to provide satisfactory services, or if waiting time is too long due to the high volume of calls from users at peak times, our brands and user loyalty may be adversely affected. In addition, any negative publicity or poor feedback regarding our customer service may harm our brands and reputation and in turn cause us to lose users and market

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share. As a result, if we are unable to continue to maintain or enhance our user experience and provide a high quality customer service, we may not be able to retain borrowers or attract prospective borrowers, which could have a material adverse effect on our business, financial condition and results of operations.

Our success and future growth depend significantly on our marketing efforts, and if we are unable to promote and maintain our brands in an effective and cost-efficient way, our business and financial results may be harmed.

Our brand and reputation are integral to our acquisition of borrowers and institutional partners. We intend to invest in marketing and brand promoting efforts, especially in connection with the growth of our new ecosystem for small business owners and the introduction of new loan products. Our marketing channels include traditional marketing media, social media, word of mouth and channel partners. If our current marketing efforts and channels are less effective or inaccessible to us, or if the cost of such channels significantly increases or we cannot penetrate the market with new channels, we may not be able to promote and maintain our brands and reputation to maintain or grow the existing app user base.

Our efforts to build our brands have caused us to incur significant expenses. Our sales and marketing expenses reached RMB17.8 billion, RMB18.0 billion and RMB15.8 billion (US\$2.3 billion) for the years ended December 31, 2020, 2021 and 2022, respectively. It is likely that our future marketing efforts will require us to incur significant additional expenses. These efforts may not result in increased income in the immediate future or at all and, even if they do, any increases in income may not offset the expenses incurred. If we are unable to promote and maintain our brands and reputation in a cost-efficient manner, our market share could diminish or we could experience a lower growth rate than we anticipated, which would harm our business, financial condition and results of operations.

We may not be able to prevent others from making unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our software registrations, trademarks, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality and non-compete agreements with our employees and others, to protect our proprietary rights. See “Business—Intellectual Property.” Any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. For example, we regularly file applications to register our trademarks in China, but these applications may not be timely or successful and may be challenged by third parties. Meanwhile, intellectual property rights and confidentiality protections in China may not be as effective as those in Hong Kong, the U.S. or other jurisdictions for many reasons, including lack of procedural rules for discovery and evidence, and low damage awards. Implementation and enforcement of China intellectual property laws have historically been deficient and ineffective. As a result, we may not be able to adequately protect our intellectual property rights, which could adversely affect our income and competitive position. In addition, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms, or at all.

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It is often difficult to maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. To the extent that our employees or consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

We cannot be certain that our operations or any aspects of our business have not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties. From time to time in the future, we may be subject to legal proceedings, claims or penalties relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by the products and services available on our mobile apps or other aspects of our business without our awareness. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in mainland China, Hong Kong, the United States or other jurisdictions. If any third-party infringement claims are brought against us, we may be forced to divert management's time and other resources from our business and operations to defend against these claims, regardless of their merits.

Additionally, the application and interpretation of China's intellectual property right laws and the procedures and standards for granting trademarks, patents, copyrights, know-how or other intellectual property rights in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability and penalties for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business and results of operations may be materially and adversely affected.

Our website, apps and internal systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.

Our website, apps and internal systems rely on software that is highly technical and complex. In addition, our website, apps and internal systems depend on the ability of the software to store, retrieve, process and manage immense amounts of data. The software on which we rely has contained, and may now

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or in the future contain, undetected errors or bugs. Some errors may only be discovered after the code has been released for use. Errors or other design defects within the software on which we rely may result in a negative experience for users and our funding and other business partners, delay introductions of new features or enhancements, result in errors or compromise our ability to protect data or our intellectual property. Any errors, bugs or defects discovered in the software on which we rely could result in harm to our reputation, loss of users or financial service provider partners or liability for damages, any of which could adversely affect our business, results of operations and financial conditions.

Any significant disruption in service on our website, apps or computer systems, including events beyond our control, could reduce the attractiveness of our services and solutions and result in a loss of users or financial service provider partners.

In the event of a system outage and physical data loss, the performance of our website, apps, services and solutions would be materially and adversely affected. The satisfactory performance, reliability and availability of our website, apps, services and solutions and the technology infrastructure that underlies them are critical to our operations and reputation and our ability to retain existing and attract new users and partners. Much of our system hardware is hosted in leased facilities located in Shanghai, Shenzhen and Hebei that are operated by our IT staff. We also maintain a real-time backup system and a remote backup system at separate facilities also located in Shanghai, Shenzhen and Hebei. Our operations depend on our ability to protect our systems against damage or interruption from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or other attempts to harm our systems, criminal acts and similar events. If there is a lapse in service or damage to our facilities, we could experience interruptions and delays in our service and may incur additional expense in arranging new facilities.

Any interruptions or delays in the availability of our website, apps, services or solutions, whether accidental or willful, and whether as a result of our own or third-party error, natural disasters or security breaches, could harm our reputation and our relationships with users and partners. Our disaster recovery plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage, and such recovery may take a prolonged period of time. These factors could damage our brand and reputation, divert our employees' attention and subject us to liability, any of which could adversely affect our business, financial condition and results of operations.

Our operations depend on the performance of the internet infrastructure and telecommunications networks in China.

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our mobile apps. We cannot assure you that the

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internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in internet usage. In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our financial performance may be adversely affected. Furthermore, if internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed.

Our services depend on the effective use of mobile operating systems and the efficient distribution through mobile application stores, which we do not control.

Our products, services and solutions are available through our mobile apps. It is difficult to predict the problems we may encounter in developing mobile apps for newly released devices and mobile operating systems, and we may need to devote significant resources to the development, support and maintenance of such apps. We are dependent on the interoperability of providing our services on popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade the accessibility of our services or give preferential treatment to competing products and services could adversely affect the usability of our services on mobile devices. In addition, we rely upon third-party mobile app stores for users to download our mobile apps. Consequently, the promotion, distribution and operation of our mobile apps are subject to app stores' standard terms and policies for application developers. Our future growth and results of operations could suffer if it is difficult for our users to access and utilize our services on their mobile devices.

We may be held liable for information or content displayed on, retrieved from or linked to our mobile applications, which may materially and adversely affect our business and operating results.

Our mobile apps are regulated by the Administrative Provisions on Mobile Internet Applications Information Services, or the APP Provisions, promulgated by the CAC in 2022. According to the APP Provisions, an App provider shall be responsible for the display results of the information content, and shall not generate or spread illegal information, and shall consciously prevent and resist illegal or harmful information. We cannot assure that with our internal control procedures in place screening the information and content on our mobile applications, all the information or content displayed on, retrieved from or linked to our mobile applications complies with the requirements of the APP Provisions at all times. If our mobile applications were found to be violating the APP Provisions, we may be subject to penalties, including warning, service suspension or removal of our mobile applications from the relevant mobile application store, which may materially and adversely affect our business and operating results.

We make some use of open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

We make some use of software covered by open source licenses. Open source license terms are often ambiguous, and there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses. Therefore, the potential impact of such terms on our business is somewhat unknown. If portions of our proprietary software are determined to be subject to an open source license, we could be required to release the affected portions of our source code, re-engineer all or a portion of our

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technologies or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and loan products. There can be no assurance that efforts we take to monitor the use of open source software to avoid uses in a manner that would require us to disclose or grant licenses under our proprietary source code will be successful, and such use could inadvertently occur. This could harm our intellectual property position and have a material adverse effect on our business, results of operations, cash flow and financial condition. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with the use of open source software cannot be eliminated, and could adversely affect our business.

We may be subject to domestic and overseas anti-money laundering and anti-terrorist financing laws and regulations and any failure by us, funding partners or payment agents to comply with such laws and regulations could damage our reputation, expose us to significant penalties and decrease our income and profitability.

We are subject to anti-money laundering and anti-terrorist laws and regulations in PRC and other jurisdictions where we operate. We have implemented various policies and procedures in compliance with all applicable anti-money laundering and anti-terrorist financing laws and regulations, including internal controls and KYC procedures, for preventing money laundering and terrorist financing. In addition, we rely on our funding partners and payment agents, in particular banks and online payment companies that handle the transfer of funds from funding partners to the borrowers, to have their own appropriate anti-money laundering policies and procedures. Certain of our funding partners, including banks, are subject to domestic and overseas anti-money laundering obligations under applicable anti-money laundering laws and regulations and are regulated in that respect by the People's Bank of China, the Hong Kong Monetary Authority or the Indonesia Financial Services Authority.

Our anti-money laundering and anti-terrorist financing policies and procedures may not be completely effective in preventing other parties from using us, any of our users, clients or third-party partners as a conduit for money laundering (including illegal cash operations), terrorist financing or sanctioned activities without our knowledge. If we were to be associated with money laundering (including illegal cash operations), terrorist financing or sanctioned activities, our reputation could suffer and we could become subject to regulatory fines, sanctions, or legal enforcement, including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with us, all of which could have a material adverse effect on our financial condition and results of operations. In addition, the laws and regulations on anti-money laundering and anti-terrorist financing might be tightened in the future, which may impose more obligations on us and our users, clients and third-party partners. Even if we, our users, clients and business partners comply with the applicable domestic and overseas anti-money laundering laws and regulations, we may not be able to fully eliminate money laundering and other illegal or improper activities in light of the complexity and the secrecy of these activities. Any negative perception of the industry, such as that arises from any failure of other credit enablement businesses to detect or prevent money laundering activities, even if factually incorrect or based on isolated incidents, could compromise our image, undermine the trust and credibility we have established, and negatively impact our financial condition and results of operations.

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We may need additional capital to accomplish our business objectives, pursue business opportunities and maintain and expand our business, and financing may not be available on terms acceptable to us, or at all.

Historically, we have issued equity and convertible debt securities to support the growth of our business. As we intend to continue to make investments to support the growth of our business, we may require additional capital to accomplish our business objectives and pursue business opportunities, and maintain and expand our business, including developing new products and services, further enhancing our risk management capabilities, increasing our marketing expenditures to improve brand awareness, enhancing our operating infrastructure, acquiring complementary businesses and technologies, obtaining necessary approvals, licenses or permits and pursuing international expansion.

Due to the unpredictable nature of the capital markets and our industry, we cannot assure you that we will be able to raise additional capital on terms favorable to us, or at all, if and when required, especially if we experience disappointing operating results. If adequate capital is not available to us as required, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our infrastructure or respond to competitive pressures could be significantly limited, which would adversely affect our business, financial condition and results of operations. If we do raise additional funds through the issuance of equity or convertible debt securities, the ownership interests of our Shareholders could be significantly diluted. These newly issued securities may also have rights, preferences or privileges senior to those of existing Shareholders.

We continually evaluate and consummate strategic investments, acquisitions and strategic alliances and investments, which could be difficult to integrate and could require significant management attention, disrupt our business and adversely affect our financial results if such investment fails to meet our expectations.

We evaluate and consider strategic investments, combinations, acquisitions or alliances to further increase the value of our mobile apps and better serve borrowers and funding partners. If we fail to identify or secure suitable acquisition and business partnership opportunities or our competitors capitalize on such opportunities before we do, it could impair our ability to compete with our competitors and adversely affect our growth prospects and results of operations.

Even if we are able to identify an attractive business opportunity, we may not be able to successfully consummate the transaction or may need to compete with other participants. In addition, investments or acquisitions may be subject to PRC and overseas regulation and supervision, and might be vetoed by regulatory agencies. Even if we do consummate such transactions, they may not be successful. They may not benefit our business strategy or generate sufficient income to offset the associated acquisition costs.

In addition, strategic investments and acquisitions will involve risks commonly encountered in business relationships. If we fail to properly evaluate and manage the risks, our business and prospects may be seriously harmed and the value of your investment may decline. Such risks include:

- difficulties in assimilating and integrating the operation, personnel, systems, data, technologies, products and services of the acquired business;

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- inability of the acquired technologies, products or businesses to achieve expected levels of income, profitability, productivity or other benefits;
- difficulties in retaining, training, motivating and integrating key personnel;
- diversion of management's time and resources from our normal daily operations and potential disruptions to our ongoing business;
- difficulties in successfully incorporating licensed or acquired technology and rights into our mobile apps;
- difficulties in maintaining uniform standards, controls, procedures and policies within the combined organization;
- difficulties in retaining relationships with customers, employees and suppliers of the acquired business;
- risks of entering markets in which we have limited or no prior experience;
- regulatory risks, including remaining in good standing with existing regulatory bodies or being subject to new regulators with oversight over an acquired business;
- assumption of contractual obligations that contain terms that are not beneficial to us;
- liability for activities of the acquired business before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities, labor disputes, regulatory actions and penalties and other known and unknown liabilities; and
- unexpected costs and unknown risks and liabilities associated with strategic investments or acquisitions. Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly operational results, including the levels of our income, expenses and other key metrics, may vary significantly in the future due to a variety of factors, some of which are outside of our control, and period-to-period comparisons of our operating results may not be meaningful, especially given our relatively limited operating history.

Our business depends on the continued efforts of our senior management. If one or more of our key executives were unable or unwilling to continue in their present positions, our business may be severely disrupted.

Our business operations depend on the continued services of our senior management, particularly the executive officers named in this document. We cannot assure you that we can continue to retain their services. If one or more of our key executives were unable or unwilling to continue in their present

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positions, we might not be able to replace them easily or at all, our future growth may be constrained, our business may be severely disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, although we have entered into confidentiality and non-competition agreements with our management, there is no assurance that any member of our management team will not join our competitors or form a competing business. If any dispute arises between our current or former officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may not be able to enforce them at all.

We have granted, and may continue to grant, share options and other forms of share-based incentive plans, which may result in increased share-based compensation expenses.

We have adopted the Share Incentive Plans for the purposes of attracting and retaining the best available personnel by linking the personal interests of our employees to our success and by providing such individuals with an incentive for outstanding performance to generate superior returns for the Shareholders. As of the Latest Practicable Date, options to purchase a total of 14,226,039 ordinary shares and performance share units to receive a total of 2,271,573 ordinary shares are outstanding under the Share Incentive Plans. In 2020, 2021 and 2022, we recorded share-based compensation expenses of RMB165 million, RMB133 million and RMB46 million (US\$6.6 million), respectively. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

We compete for skilled and quality employees, and failure to attract and retain them may adversely affect our business and prevent us from achieving our intended level of growth.

We believe our success depends on the efforts and talent of our employees, including sales and marketing, technology and product development, risk management, operation management and finance personnel. Our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees. The upgrades to our business model to create a new ecosystem for small business owners will put additional demands on our ability to attract and retain employees, as we will need employees who combine skills and experience in a number of areas, including credit enablement, small businesses and social media. Finding these people and retaining them as they learn how our tools work and gain experience in advising small business owners in using those tools will be important to the success of our business model. Competition for highly skilled sales, technical, risk management, operation management and financial personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment.

In addition, we invest significant time and resources in the training of our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements, and the quality of our services and our ability to serve borrowers and institutional partners could diminish, resulting in a material adverse effect to our business.

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If labor costs in the PRC increase substantially, our business and costs of operations may be adversely affected.

The Chinese economy has experienced inflation and labor cost increases in recent years. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2020, 2021 and 2022 were increases of 0.2%, 1.5% and 1.8%, respectively. Average wages are projected to continue to increase. For the years ended December 31, 2020, 2021 and 2022, our employee benefit expenses reached RMB14.1 billion, RMB16.4 billion and RMB15.1 billion (US\$2.2 billion), respectively. We expect that our labor costs, including wages and employee benefits, will continue to increase. If we are unable to control our labor costs or pass on these increased labor costs, our financial condition and results of operations may be adversely affected.

International expansion may expose us to additional risks.

While our historical operations have been focused in China, we have expanded our operations internationally in recent years. We launched our operations in Singapore in 2017 to provide multiple investment related services to clients, and we expanded into Hong Kong and Indonesia in 2019. There can be no assurance that our international expansion will be successful. We have closed down our operations in Singapore and are in the process of closing down our operations in Hong Kong. While our income from international operations is not yet material to the Company as a whole, our current or future international expansion may expose us to additional risks, including:

- challenges associated with relying on local partners in markets that are not as familiar to us, including local joint venture partners to help us establish our business;
- the burden of compliance with additional regulations and government authorities in a highly regulated industry;
- potentially adverse tax consequences from operating in multiple jurisdictions;
- complexities and difficulties in obtaining protection and enforcing our intellectual property in multiple jurisdictions;
- increased demands on our management's time and attention to deal with potentially unique issues arising from local circumstances; and
- general economic and political conditions internationally.

In particular, data is important to our business, and many jurisdictions across the world have been tightening regulations on protection of data security. For example, in May 2018, a new data protection regime, the European Union's General Data Protection Regulation, came into effect. The General Data Protection Regulation can apply to the processing of personal data by companies outside of the European Union, including where the processing of personal data relates to the offering of goods and services to, or monitoring the behavior of, individuals in the European Union. The General Data Protection Regulation and

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data protection laws in other jurisdictions may apply to our processing of personal data in the future. The application of such laws to our business may impose on us more stringent compliance requirements with more significant penalties for non-compliance than PRC data protection laws and regulations, and compliance with different requirements imposed by different jurisdictions could require significant resources and result in substantial costs, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Any failure to comply with PRC property laws and relevant regulations regarding certain of our leased properties may negatively affect our business, results of operations and financial condition.

We operated our businesses primarily in leased properties in Shenzhen, Shanghai, Chongqing and other cities in China. With respect to a portion of such leased properties, the lessors failed to provide title certificates evidencing property ownership of these lessors. According to PRC laws and regulations, where a landlord lacks title evidence or rights to lease, the relevant lease contracts may be terminated or deemed unenforceable under PRC laws and regulations, and may also be subject to challenge by third parties.

In addition, under PRC law, landlords must complete registration procedures and obtain approval from competent PRC land administration authorities and pay land transfer fees before they lease certain kinds of stated-owned lands. However, as of the Latest Practicable Date, not all of our landlords for certain kinds of stated-owned lands had provided us with those approvals and payment documents, and there is a risk that those landlords may not have completed these procedures. If we were challenged by competent authorities or third parties on these types of issues, we may have to vacate the relevant properties.

Additionally, certain of our leased properties' current usages are not in conformity with the permitted usages prescribed in the relevant title certificates. Nonconformity with the property's planned use may lead to fines imposed by the competent authority, and in extreme case, government order to revoke the lease or reclaim the land.

Moreover, a small portion of the leased properties may also be subject to mortgage at the time the leases were entered into. In case the mortgagees enforce the mortgage, we may not be able to continue using our leased properties.

In addition, under PRC laws, all lease agreements must be registered with the local housing authorities. As of the Latest Practicable Date, not all landlords of the premises we lease had completed their registration of ownership rights or the registration of our leases. Pursuant to relevant PRC laws and regulations, failure to complete these registrations may expose us to potential monetary fines ranging from RMB1,000 to RMB10,000 per lease.

We cannot assure you that defects in our leased contracts or leased properties will be cured in a timely manner, or at all and there will be any material action, claim or investigation threatened or conducted by the relevant regulatory authorities. Our business may be interrupted and additional relocation costs may be incurred if we are required to relocate operations affected by such defects. Moreover, if our lease contracts are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favor.

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We have limited insurance coverage, which could expose us to significant costs and business disruption.

We maintain various insurance policies to safeguard against risks and unexpected events. Additionally, we provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. However, as the insurance industry in China is still evolving, insurance companies in China currently offer limited business-related insurance products. We do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain product liability insurance or key-man insurance. We consider our insurance coverage to be in line with that of other companies in the same industry of similar size in China, but we cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud.

We are subject to reporting obligations under the U.S. securities laws. The U.S. SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on the company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of its internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company's internal control over financial reporting.

Our directors are of the view that we have adequate and effective internal control procedures. See "Business—Risk Management and Internal Control." Our management has concluded that our internal control over financial reporting was effective as of December 31, 2022. Our independent registered public accounting firm has issued an attestation report, which has concluded that our internal control over financial reporting was effective in all material aspects as of December 31, 2022. However, if we fail to maintain an effective system of internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. This could in turn result in loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our Shares or ADSs. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements.

We face risks related to natural disasters and health epidemics.

In addition to the impact of COVID-19, our business could be materially and adversely affected by natural disasters, other health epidemics or other public safety concerns affecting the PRC, and particularly Shanghai. Natural disasters may give rise to server interruptions, breakdowns, system failures, website or app failures or internet failures, which could cause the loss or corruption of data or malfunctions of software

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or hardware, as well as adversely affecting our ability to operate our website or apps and provide services and solutions. Our business could also be adversely affected if our employees are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general. Our headquarters are located in Shanghai, where most of the Directors and management and many of our employees currently reside. Most of our system hardware and back-up systems are hosted in facilities located in Shanghai and Shenzhen. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Shanghai or Shenzhen, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

PRC laws and regulations impose restrictions on foreign ownership and investment in certain internet-based businesses. We are an exempted company incorporated in the Cayman Islands and our PRC subsidiaries are considered foreign-invested enterprises. To comply with PRC laws, regulations and regulatory requirements, we set up a series of Contractual Arrangements entered into among some of our PRC subsidiaries, Consolidated Affiliated Entities, and the Registered Shareholders to conduct some of our operations in China. For more details about our Contractual Arrangements, see “Contractual Arrangements.” As a result of these Contractual Arrangements, we exert control over the Consolidated Affiliated Entities and their subsidiaries and consolidate their operating results in our financial statements under IFRS.

In the opinion of our PRC Legal Adviser, (i) the ownership structures of the Consolidated Affiliated Entities and our wholly foreign-owned enterprises, or WFOE Entities, currently do not result in violation of PRC laws and regulations currently in effect; and (ii) except for certain clauses regarding the remedies or reliefs that may be awarded by an arbitration tribunal and the power of courts to grant interim remedies in support of the arbitration and winding-up and liquidation arrangements, and the share pledge arrangement under the Share Pledge Agreement in respect of Chongqing Exchange, the agreements under the Contractual Arrangements between our WFOE Entities, the Consolidated Affiliated Entities and the Registered Shareholders governed by PRC law are valid, binding and enforceable against each party thereto in accordance with their terms and applicable PRC laws and regulations currently in effect, and do not result in violation of PRC laws or regulations currently in effect. See “—We conduct a part of our business operations in the PRC through the Consolidated Affiliated Entities and their subsidiaries by way of our Contractual Arrangements, but certain of the terms of our Contractual Arrangements may not be enforceable under PRC laws.”

However, we are a Cayman Islands holding company with no equity ownership in the Consolidated Affiliated Entities and we conduct our wealth management business in China primarily through the Consolidated Affiliated Entities with which we have Contractual Arrangements. Investors in our Shares

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or ADSs thus are not purchasing equity interests in the Consolidated Affiliated Entities in China but instead are purchasing equity interests in a Cayman Islands holding company. If the PRC government deems that our Contractual Arrangements with the Consolidated Affiliated Entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our Shares or ADSs may decline in value or become worthless if we are unable to assert our contractual control rights over the assets of our PRC subsidiaries. Our holding company in the Cayman Islands, the Consolidated Affiliated Entities, and investors of the Company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the Contractual Arrangements with the Consolidated Affiliated Entities and, consequently, significantly affect the financial performance of the Consolidated Affiliated Entities and the Company as a group.

We have been further advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Thus, the PRC regulatory authorities may take a view contrary to or otherwise different from the opinion of our PRC Legal Adviser stated above. It is also uncertain whether any new PRC laws, regulations or interpretations relating to consolidated affiliated entity structure will be adopted, or if adopted, what they would provide. On February 17, 2023, the CSRC released a set of regulations consisting of 6 documents, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), or the Trial Measures, and 5 supporting guidelines (5項配套指引), collectively, the Filing Measures, which will come into effect on March 31, 2023. On the same day, at the press conference held for the Filing Measures on February 17, 2023, the officials from the CSRC confirmed that if a company with a VIE structure is in compliance with applicable PRC laws, regulations and regulatory requirements, the CSRC may permit its filing application after soliciting opinions from relevant authorities. However, given that the Filing Measures were recently promulgated and there is no further explanation on such compliance requirements, there remain substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing and there can be no assurance that we will be able to satisfy the compliance requirements. Failure to satisfy such requirements could have a material adverse effect on us, our Contractual Arrangements and the Listing. If we fail to complete the filing with the CSRC in a timely manner or at all, for any future offering, listing or any other capital raising activities, which are subject to the filings under the Filing Measures, due to our Contractual Arrangements, our ability to raise or utilize funds could be materially and adversely affected, and we may even need to unwind our Contractual Arrangements or restructure our business operations to rectify the failure to complete the filings. If we or the Consolidated Affiliated Entities are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals to operate our business, the relevant PRC regulatory authorities, including the Ministry of Commerce and the MIIT, would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;
- imposing fines on us;

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- confiscating any of our income that they deem to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect income;
- shutting down our servers or blocking our app/websites;
- requiring us to restructure our ownership structure or operations;
- restricting or prohibiting our use of the proceeds from our initial public offering or other of our financing activities to finance the business and operations of the Consolidated Affiliated Entities and their subsidiaries;
- imposing conditions or requirements with which we may not be able to comply; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these events could cause disruption to some of our business operations and damage our reputation, which would in turn have an adverse effect on our financial condition and results of operations. If occurrences of any of these events results in our inability to direct the activities of the Consolidated Affiliated Entities in China that most significantly impact its economic performance, and/or our failure to receive the economic benefits and residual returns from the Consolidated Affiliated Entities, and we are not able to restructure our ownership structure and operations in a satisfactory manner, we may not be able to consolidate the financial results of the Consolidated Affiliated Entities in our consolidated financial statements in accordance with IFRS. It is also uncertain whether any new PRC laws, regulations or rules relating to such Contractual Arrangements will be adopted or if adopted, what they would provide.

Although we believe we, our PRC subsidiaries and the Consolidated Affiliated Entities comply with current PRC laws and regulations, we cannot assure you that the PRC government would agree that our Contractual Arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. The PRC government has broad discretion in determining rectifiable or punitive measures for non-compliance with or violations of PRC laws and regulations. If the PRC government determines that we or the Consolidated Affiliated Entities do not comply with applicable law, it could revoke the Consolidated Affiliated Entities' business and operating licenses, require the Consolidated Affiliated Entities to discontinue or restrict the Consolidated Affiliated Entities' operations, restrict the Consolidated Affiliated Entities' right to collect revenues, block the Consolidated Affiliated Entities' websites, require the Consolidated Affiliated Entities to restructure their operations, impose additional conditions or requirements with which the Consolidated Affiliated Entities may not be able to comply, impose restrictions on the Consolidated Affiliated Entities' business operations or on customers, or take other regulatory or enforcement actions against the Consolidated Affiliated Entities that could be harmful to their business. Any of these or similar occurrences could significantly disrupt our or the Consolidated Affiliated Entities' business operations or restrict the

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Consolidated Affiliated Entities from conducting a substantial portion of their business operations, which could materially and adversely affect the Consolidated Affiliated Entities' business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of the Consolidated Affiliated Entities that most significantly impact our economic performance, or our failure to receive the economic benefits from the Consolidated Affiliated Entities, we may not be able to consolidate these entities in our consolidated financial statements in accordance with IFRS.

The Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders may not be as effective as direct ownership in providing operational control or enabling us to derive economic benefits.

We have relied and expect to continue to rely on the Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders to operate our business in areas where foreign ownership is restricted. These Contractual Arrangements, however, may not be as effective as direct ownership in providing us with control over the Consolidated Affiliated Entities. For example, the Consolidated Affiliated Entities and the Registered Shareholders could breach their Contractual Arrangements with us by failing to conduct the operations of the Consolidated Affiliated Entities in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of the Consolidated Affiliated Entities in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the Consolidated Affiliated Entities, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current Contractual Arrangements, we rely on the performance by the Consolidated Affiliated Entities and the Registered Shareholders of their obligations under the contracts to exercise control over the Consolidated Affiliated Entities. The Registered Shareholders of the Consolidated Affiliated Entities may not act in the best interests of the Company or may not perform their obligations under these contracts. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system.

Any failure by the Consolidated Affiliated Entities or the Registered Shareholders to perform their obligations under our Contractual Arrangements with them would have an adverse effect on our business.

If the Consolidated Affiliated Entities or their shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the Registered Shareholders of the Consolidated Affiliated Entities or the Consolidated Affiliated Entities were to refuse to transfer their equity interests in or assets of the Consolidated Affiliated Entities to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

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All the agreements under our Contractual Arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as Hong Kong or the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. These arbitration provisions relate to claims arising from the contractual relationship created by the agreements with the Consolidated Affiliated Entities, rather than claims under U.S. federal securities laws, and they do not prevent our Shareholders or ADS holders from pursuing claims under U.S. federal securities laws in the United States. See “—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated affiliated entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties generally cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these Contractual Arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected.

The Registered Shareholders of the Consolidated Affiliated Entities may have actual or potential conflicts of interest with us, which may adversely affect our business and financial condition.

The Registered Shareholders of the Consolidated Affiliated Entities may have actual or potential conflicts of interest with us. These shareholders may breach, or cause the Consolidated Affiliated Entities to breach, or refuse to renew, the existing Contractual Arrangements we have with them and the Consolidated Affiliated Entities, which would have an adverse effect on our ability to effectively control the Consolidated Affiliated Entities and receive economic benefits from them. For example, the Registered Shareholders of the Consolidated Affiliated Entities may be able to cause our agreements with the Consolidated Affiliated Entities to be performed in a manner adverse to us by failing to remit payments due under the Contractual Arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of the Company or such conflicts will be resolved in our favor.

The shareholders of the relevant VIE have executed powers of attorney to appoint the relevant WFOE Entity or directors authorized by such WFOE Entity and their successors to vote on their behalf and exercise voting rights as shareholders of the relevant VIE. If we cannot resolve any conflict of interest or dispute between us and the Registered Shareholders of the Consolidated Affiliated Entities, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to uncertainty as to the outcome of any such legal proceedings.

The indirect shareholders of the Consolidated Affiliated Entities may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in the

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Consolidated Affiliated Entities and the validity or enforceability of our Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders. For example, in the event that any of the individual shareholders who indirectly holds any equity interests in some of the Consolidated Affiliated Entities divorces his or her spouse, the spouse may claim that the equity interest of the Consolidated Affiliated Entities held by such shareholder is part of their community property and should be divided between such shareholder and his or her spouse. If such claim is supported by the court, the relevant equity interest may be indirectly held by the shareholder's spouse or another third party who is not subject to obligations under our Contractual Arrangements, which could result in a loss of the effective control over those Consolidated Affiliated Entities by us. Similarly, if any of the equity interests of some of the Consolidated Affiliated Entities is inherited by a third party with whom the current Contractual Arrangements are not binding, we could lose our control over the Consolidated Affiliated Entities or have to maintain such control by incurring unpredictable costs, which could cause disruption to our business and operations and harm our financial condition and results of operations.

Although under our current Contractual Arrangements, (i) the spouses of some of the indirect shareholders of some of the Consolidated Affiliated Entities has respectively executed a spousal consent letter, under which each spouse agrees that he/she will not raise any claims against the equity interest, and will take every action to ensure the performance of the Contractual Arrangements, and (ii) the Consolidated Affiliated Entities and the Registered Shareholders shall not assign any of their respective rights or obligations to any third party without the prior written consent of our WFOE Entities, we cannot assure you that these undertakings and arrangements will be complied with or effectively enforced. In the case any of them is breached or becomes unenforceable and leads to legal proceedings, it could disrupt our business, distract our management's attention and subject us to uncertainties as to the outcome of any such legal proceedings.

We conduct a part of our business operations in the PRC through the Consolidated Affiliated Entities and their subsidiaries by way of our Contractual Arrangements, but certain of the terms of our Contractual Arrangements may not be enforceable under PRC laws.

All the agreements that constitute our Contractual Arrangements with the Consolidated Affiliated Entities, their respective subsidiaries and shareholders are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws, and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. If we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the Consolidated Affiliated Entities and their subsidiaries, and our ability to conduct a part of our business and our financial condition and results of operations may be adversely affected.

The Contractual Arrangements contain provisions to the effect that the arbitral body specified in them may award remedies over the equity interest, assets or properties of the Consolidated Affiliated Entities, their subsidiaries, and/or shareholders; provide compulsory relief (for example, for the conduct of business or to compel the transfer of assets); or order the winding-up of the Consolidated Affiliated Entities, their

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subsidiaries, and/or shareholders. These agreements also contain provisions to the effect that courts of competent jurisdiction are empowered to grant interim relief to a party when requested, for the purpose of preserving the assets and properties, or grant enforcement measures, subject to the requirements under PRC laws. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in the Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement orders granted by courts in other jurisdictions such as Hong Kong, the United States and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws may allow the arbitral body to grant an award of transfer of assets of or equity interests in the Consolidated Affiliated Entities in favor of an aggrieved party.

Furthermore, the Contractual Arrangements provide that (i) in the event of a dissolution or a mandatory liquidation required by PRC laws, a VIE will sell all of its assets to the extent permitted by PRC law to the relevant WFOE Entity or its designated qualifying designee, at the lowest price permitted under applicable PRC laws; and (ii) any obligation for the relevant WFOE Entity or its designated qualifying designee to pay the relevant VIE as a result of such transaction shall be forgiven, or any proceeds from such transaction shall be paid to the relevant WFOE Entity or its designated qualifying designee in partial satisfaction of the service fees under the exclusive business cooperation agreements. These provisions may not be enforceable under PRC laws in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation.

Therefore, in the event of a breach of any agreements constituting the Contractual Arrangements by the Consolidated Affiliated Entities, their respective subsidiaries and/or shareholders, we may not be able to exert effective control over the Consolidated Affiliated Entities due to the inability to enforce the Contractual Arrangements, which could adversely affect our ability to conduct a part of our business.

There may be an impact on the Company if our Contractual Arrangements with the Consolidated Affiliated Entities, their respective subsidiaries and shareholders are not treated as domestic investment.

If the operation of our businesses conducted through the Consolidated Affiliated Entities is subject to any restrictions pursuant to the Special Administrative Measures for Foreign Investment Access (Negative List 2021) jointly promulgated by the Ministry of Commerce and the NDRC, or any successor regulations, and the Contractual Arrangements are not treated as domestic investment, the Contractual Arrangements may be regarded as invalid and illegal. If this were to occur, we would not be able to operate the relevant businesses through the Contractual Arrangements and would lose our rights to receive the economic benefits of the Consolidated Affiliated Entities. As a result, we would no longer consolidate the financial results of the Consolidated Affiliated Entities into our financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If we do not receive any compensation, we would recognize an investment loss as a result of such derecognition.

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Contractual Arrangements with the Consolidated Affiliated Entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or the Consolidated Affiliated Entities owe additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements with the Consolidated Affiliated Entities were not entered into on an arm's-length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust income of the Consolidated Affiliated Entities in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by the Consolidated Affiliated Entities for PRC tax purposes, which could in turn increase its tax liabilities without reducing our PRC subsidiaries' tax expenses. In addition, the PRC tax authorities may impose late payment fees and other penalties on the Consolidated Affiliated Entities for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if the Consolidated Affiliated Entities' tax liabilities increase or if they are required to pay late payment fees and other penalties.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may affect the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People's Congress of the PRC (中華人民共和國全國人民代表大會) promulgated the Foreign Investment Law, which took effect on January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures and the Law on Foreign Capital Enterprises and became the legal foundation for foreign investment in the PRC. The Implementation Regulations for the Foreign Investment Law was promulgated by the State Council on December 26, 2019, became effective on January 1, 2020, and replaced the corresponding implementation rules of the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures and the Law on Foreign-Capital Enterprises. The Foreign Investment Law stipulates certain forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate contractual arrangements such as those we rely on as a form of foreign investment.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors investing through any other methods under laws, administrative regulations or provisions prescribed by the State Council." Future laws, administrative regulations or provisions prescribed by the State Council may possibly regard contractual arrangements as a form of foreign investment. If this happens, it is uncertain whether our Contractual Arrangements with the Consolidated Affiliated Entities, their respective subsidiaries and shareholders would be recognized as foreign investment, or whether our Contractual Arrangements would be deemed to be in violation of the foreign investment access requirements. As well as the uncertainty on how our Contractual Arrangements will be handled, there is substantial uncertainty regarding the interpretation and the implementation of the Foreign Investment Law. The relevant government authorities have broad discretion in interpreting the law. Therefore, there is no guarantee that our Contractual Arrangements, the business of the Consolidated Affiliated Entities and our financial conditions will not be materially and adversely affected.

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Our holding company in the Cayman Islands, the Consolidated Affiliated Entities, and investors of the Company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the Contractual Arrangements with the Consolidated Affiliated Entities and, consequently, the business, financial condition, and results of operations of the Consolidated Affiliated Entities and the Company as a group. Depending on future developments under the new Foreign Investment Law, we could be required to unwind the Contractual Arrangements and/or dispose of the Consolidated Affiliated Entities, which would have a material and adverse effect on our business, financial conditions and result of operations.

We may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are critical to the operation of our business if the Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

The Consolidated Affiliated Entities hold certain assets that may be critical to the operation of part of our business. If the Registered Shareholders of the Consolidated Affiliated Entities breach the Contractual Arrangements and voluntarily liquidate the Consolidated Affiliated Entities or their subsidiaries, or if the Consolidated Affiliated Entities or their subsidiaries declare bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent, we may be unable to continue some of our business activities, which could adversely affect our business, financial condition and results of operations. In addition, if the Consolidated Affiliated Entities or their subsidiaries undergo involuntary liquidation proceedings, third-party creditors may claim rights to some or all of their assets, thereby hindering our ability to operate part of our business, which could adversely affect our business, financial condition and results of operations.

If we exercise the option to acquire equity interest of the Consolidated Affiliated Entities, the equity interest transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, our WFOE Entities have the irrevocable and exclusive right to purchase all or any part of the relevant equity interests in the Consolidated Affiliated Entities from the Registered Shareholders at any time and from time to time in their absolute discretion to the extent permitted by PRC laws. This equity transfer may be subject to approvals from, filings with, or reporting to competent PRC authorities, such as the Ministry of Commerce, the MIIT, the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities. The equity transfer price to be received by the Registered Shareholders under the Contractual Arrangements may also be subject to enterprise income tax, and these amounts could be substantial.

Risks Relating to Doing Business in China

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business, financial conditions and results of operations.

Substantially all of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be affected to a significant degree by political, economic and social conditions in China generally.

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The Chinese economy differs from the economies of most developed countries in many respects, including the degree of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China are still owned or controlled by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. The growth rate of the Chinese economy has gradually slowed since 2010. COVID-19 has had a significant impact on the Chinese economy in 2021 and 2022. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

Uncertainties with respect to the PRC legal system could adversely affect us.

The PRC legal system is a civil law system based on written statutes, where prior court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

In particular, PRC laws and regulations concerning internet-related industries and the financial services industry are developing and evolving. Although we have taken measures to comply with the laws and regulations applicable to our business operations and to avoid conducting any non-compliant activities under these laws and regulations, the PRC governmental authorities may promulgate new laws and regulations regulating internet-related and financial services industries. We cannot assure you that our business operations would not be deemed to violate any such new PRC laws or regulations. Moreover, developments in internet-related industries and the financial services industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies, which in turn may limit or restrict us, and could materially and adversely affect our business and operations.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. These uncertainties may impede

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our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations.

Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

The PRC government has significant oversight over the conduct of our business and it has recently indicated an intent to exert more oversight over offerings that are conducted overseas and foreign investment in China-based issuers. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies operating in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

We only have contractual control over the Consolidated Affiliated Entities. Such corporate structure may subject us to sanctions and compromise the enforceability of related Contractual Arrangements, which may result in significant disruption to our business.

The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of the State Internet Information Office (with the involvement of the State Council Information Office, the MIIT and the Ministry of Public Security). The primary role of the State Internet Information Office is to enable policy-making and legislative development in this field, to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters relating to the internet industry.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the proper approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or

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imposes additional restrictions on the operation of any part of our business, it may levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our business or impose restrictions on the affected portion of our business. Any of these actions may have a material adverse effect on our business and results of operations. For details on PRC regulations which may affect our business, see “Regulatory Overview.”

The PRC government’s significant oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our Shares or ADSs.

We conduct our business primarily through our subsidiaries and the Consolidated Affiliated Entities and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business, and it may intervene in or influence our operations as it deems appropriate to advance regulatory and societal goals and policy positions. Historically, the PRC government had published new regulations and policies that significantly affected our industry. For example, we ceased to enable the offering of peer-to-peer products in August 2019 and also stopped using funding from peer-to-peer individual investors as a funding source for our retail credit and enablement business in 2019 in response to new regulations on peer-to-peer lending. Also, our retail credit and enablement service and other fees, to the extent they are deemed to be or related to loan interest, are subject to restrictions on maximum interest rates on private lending permitted by the relevant laws, regulations, policies or guidance. We cannot rule out the possibility that the PRC government will release additional regulations or policies in the future that directly or indirectly affect our industry or require us to seek additional permission to continue our operations, which could result in a material adverse change in our operation and/or the value of our Shares or ADSs. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of the Company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management based on foreign laws.

We are a company incorporated under the laws of the Cayman Islands. However, we conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, most of our senior executive officers reside within China for a significant portion of the time and many of them are PRC nationals. As a result, it may be difficult for you to effect service of process upon us or our management inside mainland China. It may also be difficult for you to enforce the judgments obtained in Hong Kong courts against us and our officers and Directors as none of them currently resides in Hong Kong or has substantial assets located in Hong Kong. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of Hong Kong courts against us or such persons predicated.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and other applicable laws, regulations and interpretations based either on treaties between China and the country where the judgment is made or on principles of reciprocity between

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jurisdictions. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or the Directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in Hong Kong.

In addition, the SEC, the U.S. Department of Justice and other U.S. or foreign authorities may also have difficulties in bringing and enforcing actions, conducting investigations or collecting evidence against us or our directors or executive officers in China. For example, under the newly amended Securities Law of the PRC (《中華人民共和國證券法》), effective March 1, 2020, overseas securities regulatory authorities are prohibited from conducting direct investigations or evidence collection activities within the territories of the PRC, and Chinese entities and individuals are prohibited from providing documents and information in connection with any securities business activities to any organizations and/or persons abroad without the prior consent of the securities regulatory authority of the State Council and the competent departments of the State Council. Uncertainty remains with respect to how this regulation will be interpreted, implemented or applied by the CSRC or other relevant government authorities. On February 24, 2023, the China Securities Regulatory Commission, the State Secrecy Bureau, the State Archives Administration and the Ministry of Finance jointly promulgated the Provisions on Strengthening the Confidentiality and File Management Work Related to Overseas Issuance and Listing of Securities by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which will come into effect on March 31, 2023, together with the Trial Measures, and would replace the Provisions on Strengthening Confidentiality and Archives Administration in Overseas Issuance and Listing of Securities issued in 2009. The provisions aim to develop a gatekeeping mechanism in provision of information by domestic enterprises to the relevant securities companies, securities service institutions, overseas regulatory authorities or other entity or individual, so as to prevent sensitive information from leakage and prescribe protective protocols for any residual sensitive information that still has to be provided.

It may be difficult for overseas regulators to conduct investigations or collect evidence within China.

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of a mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. In addition, entities or individuals are prohibited from providing documents and information in connection with any securities business activities to any organizations and/or persons abroad without the prior consent of the securities regulatory authority of the State Council and the competent departments of the State Council. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

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See also “—Risks Relating to Our Shares and ADSs—You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong or U.S. courts may be limited, because we are incorporated under Cayman Islands law” for risks associated with investing in us as a Cayman Islands company.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders or ADS holders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within China is considered a “resident enterprise” and generally will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. The Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, which was issued by the State Taxation Administration of the PRC (中華人民共和國國家稅務總局) on April 22, 2009 and further amended on December 29, 2017, or Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the general position of the State Taxation Administration of the PRC (中華人民共和國國家稅務總局) on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we may be required to withhold a 10% withholding tax from dividends we pay to our Shareholders and ADS holders that are non-resident enterprises, subject to any reduction set forth in applicable tax treaties. In addition, non-resident enterprise Shareholders and our ADS holders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of our Shares or ADSs, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual Shareholders and our ADS holders and any gain

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realized on the transfer of our Shares or ADSs by such Shareholders may be subject to PRC tax at a rate of 10% in the case of non-PRC enterprises or a rate of 20% in the case of non-PRC individuals unless a reduced rate is available under an applicable tax treaty. It is unclear whether non-PRC Shareholders of the Company would be able to claim the benefits of any tax treaties between their country or area of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares or ADSs.

We face uncertainties with respect to indirect transfer of equity interests in PRC resident enterprises by their non-PRC holding companies.

We face uncertainties regarding the reporting on and consequences of previous private equity financing transactions involving the transfer and exchange of Shares in the Company by non-resident investors. In February 2015, the State Taxation Administration of the PRC (中華人民共和國國家稅務總局) issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7. Pursuant to Bulletin 7, an “indirect transfer” of PRC assets, including a transfer of equity interests in an unlisted non-PRC holding company of a PRC resident enterprise by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of the underlying PRC assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise.

On October 17, 2017, the State Taxation Administration of the PRC (中華人民共和國國家稅務總局) issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or Bulletin 37, which came into effect on December 1, 2017. Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

We face uncertainties on the reporting and consequences of past or future private equity financing transactions, share exchanges or other transactions involving the transfer of Shares in the Company by investors that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligations, and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed under Bulletin 7 and Bulletin 37, and may be required to expend valuable resources to comply with them or to establish that we and our non-resident enterprises should not be taxed under these regulations, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under Bulletin 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Bulletin 7, our income tax costs associated with such transactions will be increased, which may have an

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adverse effect on our financial condition and results of operations. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions we were involved in. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

If our preferential tax treatments and government subsidies are revoked or become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions.

The Chinese government has provided various tax incentives to our PRC subsidiary, primarily in the form of reduced enterprise income tax rates. For example, under the Enterprise Income Tax Law and its implementation rules, the statutory enterprise income tax rate is 25%. However, the income tax of an enterprise that has been determined to be a high and new technology enterprise can be reduced to a preferential rate of 15%. In addition, certain of our PRC subsidiaries enjoy local government subsidies. Any increase in the enterprise income tax rate applicable to our PRC subsidiary in China, or any discontinuation, retroactive or future reduction or refund of any of the preferential tax treatments and local government subsidies currently enjoyed by our PRC subsidiary in China, could adversely affect our business, financial condition and results of operations.

Further, in the ordinary course of our business, we are subject to complex income tax and other tax regulations, and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax provisions, our financial condition and results of operations would be materially and adversely affected.

Failure to make adequate contributions to various employee benefit plans and withhold individual income tax on employees' salaries as required by PRC regulations or comply with laws and regulations on other employment practices may subject us to penalties.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Companies operating in China are also required to withhold individual income tax on employees' salaries based on the actual salary of each employee upon payment. With respect to the underpaid employee benefits, we may be required to complete registrations, make up the contributions for these plans as well as to pay late fees and fines. With respect to the under-withheld individual income tax, we may be required to make up sufficient withholding and pay late fees and fines. Furthermore, we have engaged third-party human resources agencies to pay on our behalf for some of our employees, and relevant governmental authority may not recognize the social insurance and housing funds contributions that were paid by third parties on our behalf. If this happens, we may be required to make

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addition payments or repay these contributions. If we are subject to late fees or fines in relation to the underpaid employee benefits and under-withheld individual income tax, our financial condition and results of operations may be adversely affected. We may also be subject to regulatory investigations and other penalties if our other employment practices are deemed to be in violation of relevant PRC laws and regulations.

The enforcement of the PRC Labor Contract Law and other labor-related regulations in the PRC may subject us to penalties or liabilities.

The PRC Labor Contract Law, which was enacted in 2008 and amended in 2012, introduced specific provisions related to fixed-term employment contracts, part-time employment, probationary periods, consultation with labor unions and employee assemblies, employment without a written contract, dismissal of employees, severance, and collective bargaining to enhance previous PRC labor laws. Under the Labor Contract Law, an employer is obligated to sign a non-fixed term labor contract with any employee who has worked for the employer for ten consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract, with certain exceptions, must have a non-fixed term, subject to certain exceptions. With certain exceptions, an employer must pay severance to an employee where a labor contract is terminated or expires. In addition, the PRC governmental authorities have continued to introduce various new labor-related regulations since the effectiveness of the Labor Contract Law.

These laws and regulations designed to enhance labor protection tend to increase our labor costs. In addition, as the interpretation and implementation of these regulations are still evolving, our employment practices may not at all times be deemed in compliance with the regulations. As a result, we could be subject to penalties or incur significant liabilities in connection with labor disputes or investigations.

The M&A Rules and certain other PRC regulations may make it more difficult for us to pursue growth through acquisitions.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established complex procedures and requirements for acquisition of Chinese companies by foreign investors, including requirements in some instances that the Ministry of Commerce of the PRC be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會), which was amended in June 2022, requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the Ministry of Commerce before they can be completed. On February 7, 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector, which stipulates that if any mergers, acquisitions, and obtaining control or a decisive influence over another entity (collectively, "concentration of undertakings") involves any Consolidated Affiliated Entities, such Consolidated Affiliated Entities shall fall within the scope of anti-monopoly review. If a concentration of undertakings meets the criteria for declaration as stipulated by the State Council, an operator shall report

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such concentration of undertakings to the anti-monopoly law enforcement agency under the State Council in advance. Due to the enhanced implementation of the Anti-Monopoly Law, we may be under heightened regulatory scrutiny, which will increase our compliance costs and subject us to heightened risks and challenges.

In addition, the security review rules issued by the Ministry of Commerce and became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. These laws and regulations are continually evolving as the Foreign Investment Law was newly enacted on January 1, 2020. On December 19, 2020, the Measures for the Security Review for Foreign Investment were jointly issued by the NDRC and Ministry of Commerce, which stipulates detailed rules for foreign investment that is subject to security review. Furthermore, this new rule provides that if foreign investors or relevant parties in China intend to invest in crucial information technology and internet products and services, or in crucial financial services, or in other fields which relate to national security, they shall report to the office in advance for a security review.

In the future, we may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of the above-mentioned regulations and other rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the Ministry of Commerce and obtaining approval from or reporting to the anti-monopoly law enforcement agency, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. Furthermore, according to the M&A Rules, if a PRC entity or individual plans to merger or acquire its related PRC entity through an overseas company legitimately incorporated or controlled by such entity or individual, such a merger and acquisition will be subject to examination and approval by the Ministry of Commerce. The application and interpretations of M&A Rules are still uncertain, and there is possibility that the PRC regulators may promulgate new rules or explanations requiring that we obtain approval of the Ministry of Commerce for our completed or ongoing mergers and acquisitions. There is no assurance that we can obtain such approval from the Ministry of Commerce for our mergers and acquisitions, and if we fail to obtain those approvals, we may be required to suspend our acquisition and be subject to penalties. Any uncertainties regarding such approval requirements could have a material adverse effect on our business, results of operations and corporate structure.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries’ ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC laws. In addition, any failure to comply with PRC regulations with respect to registration requirements for offshore financing may subject us to legal or administrative sanctions.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment Through

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Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purpose) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore special purpose vehicle, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our Shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update its previously filed SAFE registration, to reflect any material change involving its round-trip investment. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We are committed to complying with and to ensuring that our Shareholders who are subject to these regulations will comply with the SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by the PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that SAFE or its local branches will not release explicit requirements or interpret the PRC laws and regulations otherwise. We may not be fully informed of the identities of all our Shareholders or beneficial owners who are PRC residents, and we cannot provide any assurance that all of our Shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules in a timely manner.

Because there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy.

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For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our results of operations and financial condition. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

In addition, our offshore financing activities, such as the issuance of foreign debt, are also subject to PRC laws and regulations. In accordance with such laws and regulations, we may be required to complete filing and registration with the NDRC prior to such activities. Failure to comply with the requirements may result in administrative meeting, warning, notification and other regulatory penalties and sanctions.

We may be materially and adversely affected if our Shareholders and beneficial owners who are PRC entities fail to comply with the PRC overseas investment regulations.

On December 26, 2017, the NDRC promulgated the Administrative Measures on Overseas Investments, which took effect as of March 1, 2018. According to this regulation, non-sensitive overseas investment projects are subject to record-filing requirements with the local branch of the NDRC. On September 6, 2014, the Ministry of Commerce promulgated the Administrative Measures on Overseas Investments, which took effect as of October 6, 2014. According to this regulation, overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries are subject to record-filing requirements with a local branch of Ministry of Commerce. According to the Circular of the State Administration of Foreign Exchange on Issuing the Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions, which was promulgated by SAFE, on July 13, 2009 and took effect on August 1, 2009, PRC enterprises must register for overseas direct investment with a local SAFE branch.

We may not be fully informed of the identities of all our Shareholders or beneficial owners who are PRC entities, and we cannot provide any assurance that all of our Shareholders and beneficial owners who are PRC entities will comply with our request to complete the overseas direct investment procedures under the aforementioned regulations or other related rules in a timely manner, or at all. If they fail to complete the filings or registrations required by the overseas direct investment regulations, the authorities may order them to suspend or cease the implementation of such investment and make corrections within a specified time, which may adversely affect our business, financial condition and results of operations.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject our plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be

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retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options are subject to these regulations since the Company is an overseas-listed company. Failure to complete SAFE registrations may subject them to fines and legal sanctions, and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for the Directors, executive officers and employees under PRC law.

In addition, the State Taxation Administration of the PRC (中華人民共和國國家稅務總局) has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options and/or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options and/or restricted shares with tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands exempted company which acts as a holding company and we rely principally on dividends and other distributions on equity from our PRC subsidiary for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders for services of any debt we may incur. If our PRC subsidiary incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiary, which is a foreign-owned enterprise, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. Some of our subsidiaries are required to allocate general risk reserves prior to the distribution of dividends.

Our PRC subsidiaries generate essentially all of their revenue in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiary to use its Renminbi revenues to pay dividends to us.

The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiary to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow,

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make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares or ADSs.

Under the Enterprise Income Tax Law and its implementation rules, PRC withholding tax at a rate of 10% is generally applicable to dividends from PRC sources paid to investors that are resident enterprises outside of China and that do not have an establishment or place of business in China, or that have an establishment or place of business in China if the income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if this gain is regarded as income derived from sources within China. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by these investors on the transfer of shares are generally subject to 20% PRC income tax. Any such PRC tax liability may be reduced by the provisions of an applicable tax treaty.

Although substantially all of our business operations are in China, it is unclear whether the dividends we pay with respect to our Shares or ADSs, or the gains realized from the transfer of our Shares or ADSs, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized through the transfer of our Shares or ADSs or on dividends paid to our non-resident investors, the value of your investment in our Shares or ADSs may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under these tax treaties or arrangements.

In addition, pursuant to the Double Tax Avoidance Arrangement between Hong Kong and China, if a Hong Kong resident enterprise owns more than 25% of the equity interest of a PRC company at all times during the twelve-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on the dividend is reduced to 5%, provided that certain other conditions and requirements are satisfied at the discretion of the PRC tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, issued in 2009 by the State Taxation Administration of the PRC (中華人民共和國國家稅務總局), if the PRC tax authorities determine, in their discretion, that a company benefits from the reduced income tax rate due to a structure or arrangement that is primarily tax-driven, the PRC tax authorities may adjust the preferential tax treatment. If our Hong Kong subsidiaries are determined by PRC government authorities as receiving benefits from reduced income tax

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rates due to a structure or arrangement that is primarily tax-driven, the dividends paid by our PRC subsidiaries to our Hong Kong subsidiaries will be taxed at a higher rate, which will have a material adverse effect on our financial performance.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our initial public offering to make loans or additional capital contributions to our PRC subsidiaries and the Consolidated Affiliated Entities in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiary, the Consolidated Affiliated Entities and their subsidiaries. We may make loans to our PRC subsidiary, the Consolidated Affiliated Entities and its subsidiaries, or we may make additional capital contributions to our PRC subsidiary, or we may establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, or we may acquire offshore entities with business operations in China in an offshore transaction.

Most of these ways are subject to PRC regulations and approvals or registration. For example, loans by us to our wholly owned PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. If we decide to finance our wholly owned PRC subsidiary by means of capital contributions, these capital contributions are subject to registration with the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) or its local branch, reporting of foreign investment information with the Ministry of Commerce, or registration with other governmental authorities in China. Due to the restrictions imposed on loans in foreign currencies extended to PRC domestic companies, we are not likely to make such loans to the Consolidated Affiliated Entities, which is a PRC domestic company. Further, we are not likely to finance the activities of the Consolidated Affiliated Entities by means of capital contributions due to regulatory restrictions relating to foreign investment in PRC domestic enterprises engaged in certain businesses.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or SAFE Circular 19, effective June 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is

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unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our initial public offering, to our PRC subsidiary, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 25, 2019, SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or SAFE Circular 28, which allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, since SAFE Circular 28 is newly promulgated, it is unclear how SAFE and competent banks will carry this out in practice.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans to our PRC subsidiary or Consolidated Affiliated Entities or future capital contributions by us to our PRC subsidiary. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiary or Consolidated Affiliated Entities when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received from our initial public offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The conversion of Renminbi into other currencies, including Hong Kong dollars and U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the Hong Kong dollar and U.S. dollar, at times significantly and unpredictably. The value of Renminbi against Hong Kong dollar, U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong dollar and U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future. Our exchange differences on translation of foreign operations amounted to RMB614.7 million, RMB28.3 million, negative RMB1.6 billion (US\$230.1 million) in 2020, 2021 and 2022, respectively.

Substantially all of our income and expenses are denominated in Renminbi and our reporting currency is Renminbi. Significant revaluation of the Renminbi may have a material and adverse effect on your

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investment. For example, to the extent that we need to convert U.S. dollars we receive from our financings into Renminbi for our operations, appreciation of the Renminbi against U.S. dollar would reduce the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert Renminbi into Hong Kong dollars or U.S. dollars for the purpose of paying dividends or for other business purposes, appreciation of Hong Kong dollar or U.S. dollar against the Renminbi would reduce Hong Kong dollar or U.S. dollar amount available to us.

Few hedging options are available in China to reduce our exposure to exchange rate fluctuations. We have only engaged in limited hedging activities to date, in connection with our obligations under our syndicated loan. While we may decide to enter into additional hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure adequately or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

Governmental control of currency conversion may limit our ability to utilize our income effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our income in Renminbi. Under our current corporate structure, our holding company, which is incorporated in the Cayman Islands as an exempted company, may rely on dividend payments from our PRC subsidiary to fund any cash and financing requirements payable outside of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, cash generated from the operations of our PRC subsidiary in China may be used to pay dividends to the Company without prior approval of SAFE. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiary and Consolidated Affiliated Entity to pay any debts they may incur in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

In addition, if any of our Shareholders who is subject to SAFE regulations fails to satisfy the applicable overseas direct investment filing or approval requirement, the PRC government may restrict our access to foreign currencies for current account transactions. If we are prevented from obtaining sufficient foreign currency to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders, including holders of the ADSs.

Recent litigation and negative publicity surrounding China-based companies listed in the United States may negatively impact the trading price of our Shares or ADSs.

We believe that recent litigation and negative publicity surrounding companies with operations in China that are listed in the United States have negatively impacted stock prices of these companies. Certain

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politicians in the United States have publicly warned investors to shun China-based companies listed in the United States. Various equity-based research organizations have published reports on China-based companies after examining their corporate governance practices, related party transactions, sales practices and financial statements, and these reports have led to special investigations and listing suspensions on U.S. national exchanges. Any similar scrutiny of us, regardless of its lack of merit, could cause the market price of our Shares or ADSs to fall, divert management resources and energy, cause us to incur expenses in defending ourselves against rumors, and increase the premiums we pay for director and officer insurance.

The approval of and filings with the CSRC or other PRC government authorities may be required in connection with our offshore listings under PRC law, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filings or how long they might take.

The M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, require an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and our offshore listings may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for any of our offshore listings, or a rescission of such approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

On July 6, 2021, the PRC government authorities issued the Opinions on Strictly Scrutinizing Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC released a set of regulations consisting of 6 documents, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》), or the Trial Measures, and 5 supporting guidelines (5項配套指引), collectively, the Filing Measures, effective March 31, 2023. The Filing Measures establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. According to the Filing Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Trial Measures also sets certain regulatory red lines for overseas offerings and listings by domestic enterprises. Furthermore, after offering or listing, the company shall report material events to the CSRC within three working days after the occurrence and announcement of certain events, including, among other things, the change of control, investigation or penalties imposed by relevant authorities, the conversion of listing status or the transfer of listing board. Failure to comply with the filing or reporting requirements for any offering, listing or any other capital raising activities, may result in fines

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and other penalties on the companies, the controlling shareholder and other responsible persons. For more details of the Filing Measures, see “Regulatory Overview—Regulations Relating to M&A Rules and Overseas Listing.”

On February 17, 2023, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that the domestic companies that have already been listed overseas before the effective date of the Trial Measures (i.e., March 31, 2023) shall be deemed as existing applicants (存量企業) (the “**Existing Applicants**”). Existing applicants are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved. In addition, a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as pass of hearing for listing in Hong Kong or the effectiveness of registration statement for listing in the U.S.), but have not completed the indirect overseas listing; if such domestic companies complete their overseas offering and listing within such six-month period (i.e., before September 30, 2023), they will be deemed as Existing Applicants. Within such six-month transition period, however, if such domestic companies need to re-apply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as being required to go through a new hearing procedure in Hong Kong), or if they fail to complete their indirect overseas issuance and listing, such domestic companies shall complete the filing procedures with the CSRC within three business days after submitting valid applications for overseas offering and listing. Furthermore, for the overseas listing of companies with contractual arrangements (VIE structure), the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with these domestic companies which duly meet their compliance requirements, and support their development and growth by enabling them to utilize both markets and their resources.

If we fail to file with the CSRC in a timely manner or at all, for any future offering (including, among others, follow-on offerings, issuance of convertible corporate bonds and exchangeable bonds, and other equivalent offering activities) pursuant to the Filing Measures due to our contractual arrangements, our ability to raise or utilize funds could be materially and adversely affected, and we may even need to unwind our contractual arrangements or restructure our business operations to rectify the failure to complete the filings. However, as the Filing Measures were recently promulgated, there remain substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing.

Relatedly, on December 27, 2021, the NDRC and the Ministry of Commerce jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), or the 2021 Negative List, which became effective on January 1, 2022. Pursuant to that, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company’s operation and management, and their shareholding percentage shall be subject, *mutatis mutandis*, to the relevant regulations on the domestic securities investments by foreign investors. On January 18, 2022, the spokesperson of the NDRC in a press

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conference confirmed that the foresaid provision is only applicable to the direct listing of domestic enterprises involving in industries prohibited for foreign investment under the 2021 Negative List. Nevertheless, as the 2021 Negative List is relatively new, there remain substantial uncertainties as to the interpretation and implementation of these new requirements, and it is unclear as to whether and to what extent listed companies like us will be subject to these new requirements. If we are required to comply with these requirements and fail to do so on a timely basis, if at all, our business operation, financial conditions and business prospect may be adversely and materially affected.

On February 24, 2023, the CSRC, jointly with other relevant governmental authorities, promulgated the revised Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and Listing by Domestic Enterprises, or the Confidentiality and Archives Management Provisions, effective March 31, 2023. According to the Confidentiality and Archives Management Provisions, domestic companies, whether offering and listing securities overseas directly or indirectly, must strictly abide by the applicable laws and regulations when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities services providers such as securities companies and accounting firms or overseas regulators in the process of their overseas offering and listing. If such documents or materials contain any state secrets or governmental authorities work secrets, domestic companies must obtain the approval from competent governmental authorities according to the applicable laws, and file with the secrecy administrative department at the same level with the approving governmental authority. Furthermore, the Confidentiality and Archives Management Provisions also provides that securities companies and securities service providers shall also fulfill the applicable legal procedures when providing overseas regulatory institutions and other relevant institutions and individuals with documents or materials containing any state secrets or governmental authorities work secrets or other documents or materials that, if divulged, will jeopardize national security or public interest.

On November 14, 2021, the CAC published the Draft Administration Regulations on Cyber Data Security, which reiterates that a cybersecurity review will be imposed on the data processor who process personal information of one million or more users and apply for foreign listing. The cybersecurity review requirements would not apply to data processors who intend to list in Hong Kong unless the listing has or may have an impact on national security. As advised by our PRC Legal Adviser, the Draft Administration Regulations on Cyber Data Security were released for public comment only, and their provisions and anticipated adoption or effective date may be subject to change and thus their interpretation and implementation remain substantially uncertain. On December 28, 2021, the CAC, jointly with other 12 governmental authorities, promulgated the revised Measures for Cybersecurity Review (《網絡安全審查辦法》), which among others, stipulate that an online platform operator with personal information of over one million users that intends to apply for foreign listing must be subject to the cybersecurity review. These regulations remain unclear on whether the relevant requirements will be applicable to companies that have been listed in the United States and intend to apply for listing on the Hong Kong Stock Exchange. We cannot predict the impact of the Measures for Cybersecurity Review and the Draft Administration Regulations on Cyber Data Security, if any, at this stage, and we will closely monitor and assess any development in the rule-making process.

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In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that approval and filing from the CSRC or other regulatory authorities or other procedures, including the cybersecurity review under the Cybersecurity Review Measures, are required for our offshore listings, it is uncertain whether we can or how long it will take us to obtain such approval or complete such filing procedures and any such approval or filing could be rescinded or rejected. Any failure to obtain or delay in obtaining such approval or completing such filing procedures for our offshore listings, or a rescission of any such approval or filing if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or filing or other government authorization for our offshore listings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore listings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our listed securities. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore listings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore listings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our listed securities.

The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included in Appendix I of in this document, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. The auditor is located in mainland China, a jurisdiction where the PCAOB was historically unable to conduct inspections and investigations completely before 2022. As a result, we and investors in the ADSs were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China in the past has made it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong, and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the Securities and Exchange Commission, we and investors in our ADSs would be deprived of the benefits of such PCAOB inspections again, which could cause investors and potential investors in the ADSs to lose

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confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Pursuant to the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong and our auditor was subject to that determination. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, our Directors are of the view that we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file our annual report on Form 20-F for the fiscal year ended December 31, 2022 in April 2023. Based on the Directors confirmation above and after reviewing the announcement released by the PCAOB on December 15, 2022 and the statement released by the Chair of SEC on the same date, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the Directors' view above.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the Securities and Exchange Commission, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. In accordance with the HFCAA, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that a market for our shares will develop outside of the United States. A prohibition of being able to trade in the United States would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

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Risks Relating to Our Shares and ADSs

The trading price of our Shares or ADSs is likely to be volatile, which could result in substantial losses to investors.

As of the Latest Practicable Date, the trading price of our ADSs has been volatile and has ranged from a high of US\$19.72 to a low of US\$1.40 since our ADSs started to trade on the NYSE on October 30, 2020. The trading price of our Shares, likewise, can be volatile for similar or different reasons after the Listing. Volatility in trading price can result from broad market and industry factors, like the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong or the United States. A number of Chinese companies have listed or are in the process of listing their securities on Hong Kong or U.S. stock markets. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performances of these Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in Hong Kong or the United States in general and consequently may impact the trading performance of our Shares or ADSs, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares or ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our income, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our services or our industry;
- additions or departures of key personnel;
- expiration or release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- changes in relations between Hong Kong or the United States and China; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our Shares or ADSs trade.

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In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our Shares or ADSs, the market price for our Shares or ADSs and trading volume could decline.

The trading market for our Shares or ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our Shares or ADSs, the market price for our Shares or ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume for our Shares or ADSs to decline.

Techniques employed by short sellers may drive down the market price of our Shares and/or ADSs.

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Public companies that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or SEC enforcement actions.

It is not clear what effect such negative publicity could have on us. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable state law or issues of commercial confidentiality. Such a situation could be costly and time-consuming, and could distract our management from growing our business. Even if such allegations are ultimately proven to be

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groundless, allegations against us could severely impact our business operations, and any investment in the Shares and/or ADSs could be greatly reduced or even rendered worthless.

The sale or availability for sale of substantial amounts of our Shares or ADSs could adversely affect their market price.

Sales of substantial amounts of our Shares or ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of our Shares or ADSs and could materially impair our ability to raise capital through equity offerings in the future. The ADSs sold in our initial public offering in the United States in 2020 are freely tradable without restriction or further registration under the U.S. Securities Act of 1933, and other Shares held by our existing Shareholders may also be sold in the public market in the future subject to the restrictions in Rule 144 and Rule 701 under the U.S. Securities Act of 1933. As of the Latest Practicable Date, we had 1,146,108,643 ordinary shares issued and outstanding (excluding Shares underlying the ADSs repurchased by the Company pursuant to the share repurchase programs and Shares issued to the Depository for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of options or awards granted under the Share Incentive Plans), of which 474,905,000 ordinary shares, or 41.4%, were held by members of the Ping An Group. Upon our listing on the Hong Kong Stock Exchange, Shares held by our existing Shareholders (other than our Controlling Shareholders) are not subject to any lock-up. We cannot predict what effect, if any, market sales of securities held by our Shareholders or the availability of these securities for future sale will have on the market price of our Shares or ADSs.

There can be no assurance that we will not be a passive foreign investment company, or PFIC, for United States federal income tax purposes for any taxable year, which could subject United States holders of our ADSs or Ordinary Shares to significant adverse United States income tax consequences.

We will be classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes for any taxable year if either (a) 75% or more of our gross income for such year consists of certain types of “passive” income or (b) 50% or more of the value of our assets (generally determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. We refer to the latter test as the asset test. Although the law in this regard is unclear, we intend to treat the consolidated affiliated entities (including their subsidiaries, if any) as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated financial statements.

Assuming that we are the owner of the consolidated affiliated entities (including their subsidiaries, if any) for United States federal income tax purposes and based on the current and anticipated value of our assets and the composition of our income and assets, including goodwill and other unbooked intangibles, we do not believe we were a PFIC for our taxable year ended December 31, 2022. There can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year because PFIC status is a factual determination made annually after the close of each taxable year that will depend, in part, on the composition of our income and assets. Because the value of our assets for purposes of the asset test may be determined by reference to the market price of our ADSs and/or Ordinary Shares, fluctuations in the market

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price of our ADSs and/or Ordinary Shares may cause us to become a PFIC for the current or subsequent taxable years. In particular, recent declines in the market price of our ADSs and/or Ordinary Shares significantly increased our risk of becoming a PFIC for the current taxable year. The market price of our ADSs and/or Ordinary Shares may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year. In addition, the composition of our income and assets will also be affected by how, and how quickly, we use our liquid assets. If we determine not to deploy significant amounts of cash for active purposes or if it were determined that we do not own the stock of the consolidated affiliated entities for United States federal income tax purposes, our risk of being a PFIC may substantially increase. Based on the nature of our business and activities, it is also possible that the IRS may challenge our classification of certain income and assets as non-passive, which may result in our company being or becoming a PFIC for the current or future taxable years.

Because the amount, timing, and whether or not we distribute dividends at all is entirely at the discretion of our Board, you must rely on price appreciation of our Shares or ADSs for return on your investment.

We paid a cash dividend to our Shareholders of US\$0.68 per Share in April 2022 based on our net profits for the financial year 2021. We announced a new policy of paying a semi-annual dividend equal to between 20% and 40% of our net profits for each six-month period, and our first dividend under the new policy was a cash dividend US\$0.34 per Share paid to Shareholders in October 2022. Based on our current policy, the amounts of dividends will vary based on the existence and amount of net profits that we can generate. In addition, the amount, timing, and whether or not we actually distribute dividends at all remains entirely at the discretion of our Board. Our Board has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. Our Board may revise our dividend policy, as it has already done once, or it may choose to cancel our dividend policy entirely. In addition, our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by the Directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares or ADSs will likely depend entirely upon any future price appreciation of our Shares or ADSs. There is no guarantee that our Shares or ADSs will appreciate in value after the Listing or even maintain the price at which you purchased our Shares or ADSs. You may not realize a return on your investment in our Shares or ADSs, and you may even lose your entire investment in our Shares or ADSs.

Our Memorandum and Articles of Association and the deposit agreement purport to limit the jurisdiction of courts for lawsuits relating to U.S. federal securities law, which could limit the ability of holders of our Shares, the ADSs or other securities to obtain a favorable judicial forum for disputes with us, the Directors and officers, the Depositary, and potentially others.

Our Memorandum and Articles of Association provide that the United States District Court for the Southern District of New York (or, if the Southern District of New York lacks subject matter jurisdiction

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over a particular dispute, the state courts of New York County, New York) shall be the exclusive forum within the United States for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, regardless of whether such legal suit, action, or proceeding also involves parties other than us. Our deposit agreement also provides that holders and beneficial owners of ADSs agree that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) shall have exclusive jurisdiction over any suit, action or proceeding against or involving us or the Depository, arising out of or relating in any way to the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs. However, the enforceability of similar choice of forum provisions in other companies' organizational documents has been challenged in legal proceedings in the United States, and it is possible that a court could find this type of provision to be inapplicable, unenforceable, or inconsistent with other documents that are relevant to the filing of such lawsuits. If a court were to find the choice of forum provision contained in our Memorandum and Articles of Association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. If upheld, the forum selection clause in our Memorandum and Articles of Association and deposit agreement may limit a security-holder's ability to bring a claim against us, the Directors and officers, the Depository and potentially others in his or her preferred judicial forum, and this limitation may discourage such lawsuits.

You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong or U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of Shareholders to take action against the Directors, actions by minority Shareholders and the fiduciary responsibilities of the Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of the Directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in Hong Kong or some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than Hong Kong or the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a Hong Kong court or a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records, other than copies of the memorandum and articles of association, the register of mortgages and charges and any special resolutions passed by our shareholders, or to obtain copies of lists of shareholders of these companies. The Directors have discretion under our articles of

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association to determine whether or not, and under what conditions, our corporate records may be inspected by our Shareholders, but are not obliged to make them available to our Shareholders, save that any register held in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Board may impose) be open to inspection by our Shareholder without charge and any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Board may determine for each inspection, provided that we may be permitted to close the register in terms equivalent to section 632 of the Companies Ordinance. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other Shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as Hong Kong and the United States. We have chosen to rely on the home country exemption from Section 303A.08 of the NYSE Listed Company Manual, which requires that shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto. In this respect, and in other respects if we choose to follow home country practice in other respects in the future, our Shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

As a result of all of the above, our public Shareholders may have more difficulty in protecting their interests in the face of actions taken by management, the Board member or Controlling Shareholders than they would as public shareholders of a company incorporated in Hong Kong or the United States.

Certain judgments obtained against us by our Shareholders may not be enforceable.

We are a Cayman Islands company and substantially all of our assets are located outside of Hong Kong and the United States. Substantially all of our current operations are conducted in China. In addition, a majority of our current Directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside Hong Kong or the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in Hong Kong or the United States in the event that you believe that your rights have been infringed under the Hong Kong securities laws or U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of the Directors and officers.

We will incur increased costs as a result of listing in Hong Kong.

We are now a public company in the United States and incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the U.S. SEC and the NYSE, impose various requirements on the corporate governance practices of public companies. These rules and regulations increase our legal and financial compliance costs and make some corporate activities more time-consuming and costly. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such

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costs. After we become a public company listed on the Stock Exchange, we will be subject to laws, rules and regulations in Hong Kong as well. As a dual-listed company in Hong Kong and the United States, we will have to comply with laws and regulations on both markets. However, Hong Kong and the United States have different regulatory regime governing matters related to listed companies and in certain cases have fairly different requirements on certain matters. We will incur additional costs and expenses in complying with the complex regulatory systems on both markets. Failure to comply with any regulatory requirements could result in material adverse impact on the trading of our Share or ADSs and reputation and subject us to administrative penalties.

We are a foreign private issuer within the meaning of the rules under the U.S. Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.

Because we are a foreign private issuer under the U.S. Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the U.S. Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the U.S. SEC;
- the sections of the U.S. Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the U.S. Exchange Act;
- the sections of the U.S. Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD under the U.S. Exchange Act.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the NYSE. Press releases relating to financial results and material events will also be furnished to the U.S. SEC on Form 6-K. However, the information we are required to file with or furnish to the U.S. SEC will be less extensive and less timely than that required to be filed with the U.S. SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and holders of ADSs may not be able to exercise the right to vote the underlying Shares.

Holders of our ADSs will only be able to exercise the voting rights with respect to the underlying Shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, holders of our ADSs must vote by giving voting instructions to the Depositary. Upon receipt of the voting instructions of holders of our ADSs, the Depositary will vote the underlying Shares in accordance with these

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instructions. Holders of our ADSs will not be able to directly exercise the right to vote with respect to the underlying Shares unless they withdraw the Shares. Under our Memorandum and Articles of Association, the minimum notice period required for convening a general meeting is 21 days for an annual general meeting and 14 days for any other general meetings (including an extraordinary general meeting). When a general meeting is convened, holders of our ADSs may not receive sufficient advance notice to withdraw the underlying Shares represented by their ADSs to allow them to vote with respect to any specific matter. If we ask for the instructions from holders of our ADSs, the Depositary will notify holders of our ADSs of the upcoming vote and will arrange to deliver our voting materials to them. We cannot assure holders of our ADSs that they will receive the voting materials in time to ensure that they can instruct the Depositary to vote their Shares. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out the voting instructions from holders of our ADSs. This means that holders of our ADSs may not be able to exercise the right to vote and they may have no legal remedy if the underlying Shares represented by their ADSs are not voted as they requested.

We are entitled to amend the deposit agreement and to change the rights of ADS holders under the terms of such agreement, or to terminate the deposit agreement, without the prior consent of the ADS holders.

We are entitled to amend the deposit agreement and to change the rights of the ADS holders under the terms of such agreement, without the prior consent of the ADS holders. We and the Depositary may agree to amend the deposit agreement in any way we decide is necessary or advantageous to us. Amendments may reflect, among other things, operational changes in the ADS program, legal developments affecting ADSs or changes in the terms of our business relationship with the Depositary. In the event that the terms of an amendment impose or increase fees or charges (other than taxes and other governmental charges, registration fees, cable (including SWIFT) or facsimile transmission costs, delivery costs or other such expenses) or that would otherwise prejudice any substantial existing right of the ADS holders, such amendment will not become effective as to outstanding ADSs until the expiration of 30 days after notice of that amendment has been disseminated to the ADS holders, but no prior consent of the ADS holders is required under the deposit agreement. Furthermore, we may decide to terminate the ADS facility at any time for any reason. For example, terminations may occur when the ADSs are delisted from the stock exchange in the United States on which the ADSs are listed and we do not list the ADSs on another stock exchange in the United States, nor is there a symbol available for over-the-counter trading of the ADSs in the United States. If the ADS facility will terminate, ADS holders will receive at least 30 days' prior notice, but no prior consent is required from them. Under the circumstances that we decide to make an amendment to the deposit agreement that is disadvantageous to ADS holders or terminate the deposit agreement, the ADS holders may choose to sell their ADSs or surrender their ADSs and become direct holders of the underlying Shares, but will have no right to any compensation whatsoever.

Your rights to pursue claims against the depositary as a holder of ADSs are limited by the terms of the deposit agreement.

Under the deposit agreement, any legal suit, action or proceeding against or involving us or the depositary, arising out of or relating in any way to the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs may only be instituted in the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York

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lacks subject matter jurisdiction over a particular dispute, in the state courts in New York County, New York), and you, as a holder of the ADSs, will have irrevocably waived any objection which you may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such action or proceeding. It is possible that a court could find this type of forum selection provision to be inapplicable, unenforceable, or inconsistent with other documents that are relevant to the filing of such lawsuits. For risks related to the enforceability of such exclusive forum selection provision, see “—Our memorandum and articles of association and the deposit agreement purport to limit the jurisdiction of courts for lawsuits relating to U.S. federal securities law, which could limit the ability of holders of our Shares, the ADSs or other securities to obtain a favorable judicial forum for disputes with us, the Directors and officers, the Depositary, and potentially others.” Accepting or consent to this forum selection provision does not constitute a waiver by you of compliance with federal securities laws and the rules and regulations thereunder. You may not waive compliance with federal securities laws and the rules and regulations thereunder.

The deposit agreement provides that the Depositary or an ADS holder may require any claim asserted by it against us arising out of or relating to our Shares, the ADSs or the deposit agreement be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement, although the arbitration provisions do not preclude you from pursuing any claim, including claims under the U.S. Securities Act of 1933 or the U.S. Exchange Act in the United States District Court for the Southern District of New York (or such state courts if the United States District Court for the Southern District of New York lacks subject matter jurisdiction). The exclusive forum selection provisions in the deposit agreement also do not affect the right of any party to the deposit agreement to elect to submit a claim against us to arbitration, or our duty to submit that claim to arbitration, as provided in the deposit agreement, or the right of any party to an arbitration under the deposit agreement, to commence an action to compel that arbitration, or to enter judgment upon or to enforce an award by the arbitrators, in any court having jurisdiction over an action of that kind.

The Depositary for our ADSs will give us a discretionary proxy to vote the underlying Shares represented by the ADSs if ADS holders do not timely provide voting instructions to the Depositary in accordance with the deposit agreement, except in limited circumstances, which could adversely affect the interests of ADS holders.

Under the deposit agreement for the ADSs, if ADS holders do not timely provide voting instructions to the Depositary, the Depositary will give us a discretionary proxy to vote the underlying Shares represented by the ADSs at Shareholders’ meetings unless:

- we have failed to timely provide the Depositary with notice of the meeting and related voting materials;
- we have instructed the Depositary that we do not wish a discretionary proxy to be given;
- we have informed the Depositary that there is substantial opposition as to a matter to be voted on at the meeting;

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- we have informed the Depositary that a matter to be voted on at the meeting may have an adverse impact on Shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that if ADS holders do not timely provide voting instructions to the Depositary in the manner required by the deposit agreement, ADS holders cannot prevent the underlying Shares represented by their ADSs from being voted, except under the circumstances described above. This may make it more difficult for Shareholders to influence the management of the Company. Holders of our Shares are not subject to this discretionary proxy.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiffs in any such action.

The deposit agreement governing the ADSs representing our Shares provides that, to the fullest extent permitted by applicable law, holders and beneficial owners of ADSs irrevocably waive the right to a jury trial of any claim that they may have against us or the Depositary arising from or relating to our Shares, our ADSs or the deposit agreement, including any claim under the U.S. federal securities laws. The waiver continues to apply to claims that arise during the period when a holder holds the ADSs, even if the ADS holder subsequently withdraws the underlying Shares. However, ADS holders will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the Depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. In fact, ADS holders cannot waive our or the Depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.

If we or the Depositary opposed a demand for jury trial relying on the above-mentioned jury trial waiver, it is up to the court to determine whether such waiver is enforceable considering the facts and circumstances of that case in accordance with the applicable state and federal law.

If this jury trial waiver provision is prohibited by applicable law, an action could nevertheless proceed under the terms of the deposit agreement with a jury trial. To our knowledge, the enforceability of a jury trial waiver under the federal securities laws has not been finally adjudicated by a federal court or by the United States Supreme Court. Nonetheless, we believe that a jury trial waiver provision is generally enforceable under the laws of the State of New York, which govern the deposit agreement, by a federal or state court in the City of New York. In determining whether to enforce a jury trial waiver provision, New York courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. We believe that this is the case with respect to the deposit agreement and the ADSs. In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or counterclaim sounding in fraud or one which is based upon a creditor's negligence in failing to liquidate collateral upon a guarantor's demand, or in the case of an intentional tort claim, none of which we believe are applicable in the case of the deposit agreement or the ADSs. If any holders or beneficial owners of ADSs brings a claim against us or the Depositary relating to the matters arising under the deposit agreement or our ADSs, including claims under

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federal securities laws, such holder or beneficial owner may not have the right to a jury trial regarding such claims, which may limit and discourage lawsuits against us or the Depositary. If a lawsuit is brought against us or the Depositary according to the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may have different outcomes compared to that of a jury trial, including results that could be less favorable to the plaintiffs in any such action.

Moreover, as the jury trial waiver relates to claims arising out of or relating to the ADSs or the deposit agreement, we believe that, as a matter of construction of the clause, the waiver would likely continue to apply to ADS holders who withdraw the Shares from the ADS facility with respect to claims arising before the cancellation of the ADSs and the withdrawal of the Shares, and the waiver would most likely not apply to ADS holders who subsequently withdraw the Shares represented by ADSs from the ADS facility with respect to claims arising after the withdrawal. However, to our knowledge, there has been no case law on the applicability of the jury trial waiver to ADS holders who withdraw the Shares represented by the ADSs from the ADS facility.

ADS holders may not receive dividends or other distributions on our Shares and ADS holders may not receive any value for them, if it is illegal or impractical to make them available to them.

The Depositary of our ADSs has agreed to pay ADS holders the cash dividends or other distributions it or the custodian receives on Shares or other deposited securities represented by our ADSs, after deducting its fees and expenses. ADS holders will receive these distributions in proportion to the number of Shares represented by the ADSs. However, the Depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the U.S. Securities Act of 1933 but that are not properly registered or distributed under an applicable exemption from registration. The Depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the Depositary may determine not to distribute such property. We have no obligation to register under Hong Kong or U.S. securities laws any ADSs, Shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, Shares, rights or anything else to holders of ADSs. This means that ADS holders may not receive distributions we make on our Shares or any value for them if it is illegal or impractical for us to make them available to ADS holders. These restrictions may cause a material decline in the value of our Shares or ADSs.

You may experience dilution of your holdings due to inability to participate in rights offerings.

We may, from time to time, distribute rights to our Shareholders, including rights to acquire securities. Under the deposit agreement, the Depositary will not distribute rights to holders of ADSs unless we indicate that we wish such rights to be made available to holders of ADSs and the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the U.S. Securities Act of 1933 with respect to all holders of ADSs or are registered under the provisions of the U.S. Securities Act of 1933. The Depositary may, but is not required to, attempt to sell these undistributed rights to third

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parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

Holders of our ADSs may be subject to limitations on transfer of the ADSs.

The ADSs are transferable on the books of the Depositary. However, the Depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The Depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the Depositary needs to maintain an exact number of ADS holders on its books for a specified period. The Depositary may also close its books in emergencies, and on weekends and public holidays. The Depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the Depositary are closed, or at any time if we or the Depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

RISKS RELATING TO THE DUAL LISTING

The liquidity of our Shares on the Stock Exchange could be limited and the effectiveness of the Liquidity Arrangements is subject to limitations.

Our Shares have not been traded on the Stock Exchange before the Introduction and there could be limited liquidity in our Shares on the Stock Exchange. We cannot assure you that an active trading market for our Shares on the Stock Exchange will develop or be sustained. In addition, there is no assurance that the price at which Shares are traded on the Main Board of the Stock Exchange will be substantially the same as or similar to the per-share equivalent price at which our ADSs are traded on NYSE or that any particular volume of Shares will trade on the Main Board of the Stock Exchange. If an active trading market of our Shares in Hong Kong is not developed or is not sustained after the Introduction, the market price and liquidity of our Shares on the Stock Exchange could be materially and adversely affected.

Throughout the Designated Period, the Designated Dealers intend to implement certain bridging and liquidity arrangements as set out in the section headed “Listings, Registration, Dealings and Settlement—Proposed Liquidity Arrangements.” While such arrangements are expected to contribute towards liquidity to meet demand for our Shares in Hong Kong and to maintain a fair and orderly market, investors should be aware that such bridging and liquidity arrangements are subject to the Designated Dealers’ ability to obtain sufficient numbers of our Shares to meet demand. There is no guarantee that such bridging and liquidity arrangements will attain and/or maintain liquidity in our Shares at any particular level on the Hong Kong Stock Exchange, nor is there any assurance that the price of our Shares in Hong Kong will not exhibit significant volatility.

The Liquidity Arrangements being implemented in connection with the Introduction are not equivalent to price stabilization activities that are frequently undertaken in connection with initial public offering on

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the Stock Exchange or other markets. The bridging and liquidity arrangements will terminate and cease to continue beyond the Designated Period. Accordingly, there may be volatility in the Hong Kong market after the Designated Period.

An active trading market for our Shares on the Stock Exchange might not develop or be sustained and trading prices of our Shares might fluctuate significantly.

Following the completion of the Listing, we cannot assure you that an active trading market for our Shares on the Stock Exchange will develop or be sustained. The trading price or liquidity for the ADSs on the New York Stock Exchange might not be indicative of those of our Shares on the Stock Exchange following the completion of the Listing. If an active trading market of our Shares on the Stock Exchange does not develop or is not sustained after the Listing, the market price and liquidity of our Shares could be materially and adversely affected.

In 2014, the Hong Kong, Shanghai, and Shenzhen stock exchanges collaborated to create an inter-exchange trading mechanism called Stock Connect that allows international and PRC investors to trade eligible equity securities listed in each other's markets through the trading and clearing facilities of their home exchange. Stock Connect currently covers over 2,000 equity securities trading in the Hong Kong, Shanghai, and Shenzhen markets. Stock Connect allows PRC investors to trade directly in eligible equity securities listed on the Stock Exchange, known as Southbound Trading; without Stock Connect, PRC investors would not otherwise have a direct and established means of engaging in Southbound Trading. However, there remains uncertainty as to the implementation details, especially with respect to shares of those companies with a secondary or dual-primary listing on the Stock Exchange. It is unclear whether and when the Shares of the Company, a company with a dual-primary listing in Hong Kong upon the Listing, will be eligible to be traded through Stock Connect, if at all. The ineligibility or any delay of our Shares for trading through Stock Connect will affect PRC investors' ability to trade our Shares and therefore may limit the liquidity of the trading of our Shares on the Stock Exchange.

The characteristics of the U.S. capital markets and the Hong Kong capital markets are different.

The New York Stock Exchange and the Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our Shares and the ADSs representing them might not be the same, even allowing for currency differences. Fluctuations in the price of the ADSs due to circumstances peculiar to its home capital market could materially and adversely affect the price of the Shares. Because of the different characteristics of the U.S. and Hong Kong equity markets, the historic market prices of the ADSs may not be indicative of the performance of our securities (including the ordinary shares) after the Listing.

Exchange between our Shares and the ADSs may adversely affect the liquidity or trading price of each other.

The ADSs are currently traded on the New York Stock Exchange. Subject to compliance with U.S. securities laws and the terms of the deposit agreement, holders of our Shares may deposit Shares with the

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Depository in exchange for the issuance of the ADSs. Any holder of ADSs may also withdraw the underlying Shares represented by the ADSs pursuant to the terms of the deposit agreement for trading on the Stock Exchange. In the event that a substantial number of Shares are deposited with the Depository in exchange for ADSs or vice versa, the liquidity and trading price of our Shares on the Stock Exchange and the ADSs on the New York Stock Exchange may be adversely affected.

The time required for the exchange between our Shares and the ADSs might be longer than expected and investors might not be able to settle or effect any sale of their securities during this period, and the exchange of Shares into ADSs involves costs.

There is no direct trading or settlement between the New York Stock Exchange and the Stock Exchange on which the ADSs and our Shares are respectively traded. Subject to compliance with U.S. securities laws and the terms of the deposit agreement, holders of our ordinary shares may deposit Shares with the Depository in exchange for the issuance of the ADSs. In addition, the time differences between Hong Kong and New York, unforeseen market circumstances, or other factors may delay the deposit of Shares in exchange for the ADSs or the withdrawal of the underlying Shares represented by the ADSs. Investors will be prevented from settling or effecting the sale of their securities during such periods of delay. In addition, we cannot assure you that any exchange for Shares into ADSs (and vice versa) will be completed in accordance with the timelines that investors may anticipate.

Furthermore, the Depository is entitled to charge the ADSs holders fees for various services including for the issuance of ADSs upon deposit of Shares, cancellation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs, and annual service fees. As a result, Shareholders who exchange Shares into ADSs, and vice versa, may not achieve the level of economic return the Shareholders may anticipate.

There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs following our Listing of our Shares on the Stock Exchange.

In connection with the Listing, we will establish a branch register of members in Hong Kong, or the Hong Kong Share Register. Our Shares that are traded on the Stock Exchange, including those that may be converted from ADSs, will be registered on the Hong Kong Share Register, and the trading of these Shares on the Stock Exchange will be subject to the Hong Kong stamp duty. To facilitate ADS-ordinary share conversion and trading between the NYSE and the Hong Kong Stock Exchange, we also intend to move a portion of our issued ordinary shares from our register of members maintained in the Cayman Islands to our Hong Kong share register.

Under the Hong Kong Stamp Duty Ordinance, any person who effects any sale or purchase of Hong Kong stock, defined as stock the transfer of which is required to be registered in Hong Kong, is required to pay Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.26% of the greater of the consideration for, or the value of, shares transferred, with 0.13% payable by each of the buyer and the seller. See “Listings, Registration, Dealings and Settlement—Dealings and Settlement—Settlement of dealings in Hong Kong.”

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To the best of our knowledge, Hong Kong stamp duty has not been levied in practice on the trading or conversion of ADSs of companies that are listed in both the United States and Hong Kong and that have maintained all or a portion of their shares, including underlying shares represented by ADSs, in their Hong Kong share registers. However, it is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs of these dual-listed companies constitutes a sale or purchase of the underlying Hong Kong-registered shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. If Hong Kong stamp duty is determined by the competent authority to apply to the trading or conversion of our ADSs, the trading price and the value of your investment in our Shares and/or ADSs may be affected.

We may be subject to securities litigation, which is expensive and could divert management attention.

Companies that have experienced volatility in the volume and market price of their shares have been subject to an increased incidence of securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, and, if adversely determined, could have a material adverse effect on our business, financial condition and results of operations.

Forward-looking information in this document may be proved inaccurate.

This document contains certain forward-looking statements and information relating to us that is based on our management's belief and assumptions. The words "anticipate," "believe," "expect," "going forward" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect our management's current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described herein. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. You are strongly cautioned that reliance on any forward-looking statements involves known or unknown risks and uncertainties. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed herein might not occur in the way we expect, or at all. In all cases, you should consider carefully how much weight or importance you should attach to, or place on, such facts or statistics.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Introduction.

Before the publication of this document, there may be press and media coverage which contains certain information regarding the Introduction and us that is not set out in this document. We have not authorized the disclosure of such information in any press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no presentation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is

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inconsistent or conflicts with the information contained in this document, we disclaim it. Accordingly, prospective investors should not rely on any such information.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this document.

Certain facts, statistics and data contained in this document relating to China and the industry in which we operate our business have been derived from various official government publications or other third-party reports we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of the official government publications for the purpose of disclosure in this document and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials.

They have not been prepared or independently verified by us or the Joint Sponsors or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside China and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

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In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

The Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong, in mainland China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of the Company or the Shareholders as a whole.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange. At present, our two authorized representatives are Mr. Gregory Dean GIBB, our executive director and co-chief executive officer, and Ms. Sharon Wing Han LEUNG, our company secretary;
- (b) pursuant to Rule 3.20 of the Listing Rules, each Director will provide his contact details, including mobile phone numbers, office phone numbers, residential phone numbers, e-mail addresses and facsimile numbers to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;
- (c) we will ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;
- (d) pursuant to Rule 3A.19 of the Listing Rules, we have retained the services of Somerley Capital Limited as compliance adviser (the "**Compliance Adviser**"), who will act as an additional channel of communication with the Stock Exchange. The Compliance Adviser will provide us with professional advice on ongoing compliance with the Listing Rules. We will ensure that the

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Compliance Adviser has prompt access to our authorized representatives and Directors. In turn, they will provide the Compliance Adviser with such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice to us when consulted by us in compliance with Rule 3A.23 of the Listing Rules; and

- (e) meetings between the Stock Exchange and the Directors can be arranged through the authorized representatives or the Compliance Adviser, or directly with the Directors, within a reasonable time frame. We will inform the Stock Exchange as soon as practicable of any change in the authorized representatives and/or the Compliance Adviser in accordance with the Listing Rules.

DEALINGS IN SHARES PRIOR TO LISTING

According to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities of a new applicant for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted (the "**Relevant Period**").

We had over 40 subsidiaries and Consolidated Affiliated Entities as of the Latest Practicable Date, and the ADSs are widely held, publicly traded and listed on the NYSE. We therefore are not in a position to control the investment decisions of the Shareholders or the investing public in the United States.

As of the Latest Practicable Date, based solely on public filings with the U.S. SEC, there were no Shareholders who controlled more than 10% of the voting rights of the Company other than Ping An Insurance (the Company's Controlling Shareholder), together with the intermediary companies through which Ping An Insurance has an interest in the Company, and Tun Kung Company Limited (the Company's substantial shareholder).

For a company whose securities are listed and traded in the U.S., we note that it is a common practice for substantial shareholders and corporate insiders, including directors, executives and other members of management, to set up trading plans that meet the requirements of Rule 10b5-1 under the U.S. Exchange Act (the "**Rule 10b5-1 Plan(s)**") to buy or sell the company's securities. A Rule 10b5-1 Plan is a written plan, set up with a broker, to trade securities that (a) is entered into at a time when the person trading the securities is not aware of any material non-public information; (b) specifies the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; and (c) does not allow the person trading the securities to exercise any subsequent influence over how, when, or whether to effect purchases or sales. Persons who trade securities pursuant to a Rule 10b5-1 Plan have an affirmative defense against insider trading allegations under U.S. securities law.

On the basis of the above, we consider that the following categories of persons (collectively, the "**Permitted Persons**") should not be subject to the dealing restrictions set out in Rule 9.09(b) of the Listing Rules:

1. Ping An Insurance together with the intermediary companies through which Ping An Insurance has an interest in the Company and Tun Kung Company Limited, in respect of (i) use of their

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Shares as security (including, for the avoidance of doubt, using Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period and (ii) their dealings pursuant to any Rule 10b5-1 Plans that have been set up prior to the Relevant Period (“**Category 1**”);

2. the Directors, and the directors and chief executives of our subsidiaries and Consolidated Affiliated Entities that are not “insignificant subsidiaries” as defined under the Listing Rules (such subsidiaries and Consolidated Affiliated Entities, “**Significant Subsidiaries**”), in respect of (i) their respective use of the Shares as security (including, for the avoidance of doubt, using their respective Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period and (ii) their respective dealings pursuant to Rule 10b5-1 Plans that have been set up prior to the Relevant Period (“**Category 2**”);
3. directors, chief executives and substantial shareholders of our insignificant subsidiaries (as defined under the Listing Rules) and Consolidated Affiliated Entities and their close associates (“**Category 3**”); and
4. any other person (whether or not an existing Shareholder) who may, as a result of dealings, become our substantial shareholder and who is not our director or chief executive, or a director or chief executive of our subsidiaries and Consolidated Affiliated Entities, or their close associates (“**Category 4**”).

For the avoidance of doubt:

1. as the foreclosure, enforcement or exercise of other rights by the lenders in respect of a security interest over the Shares (including, for the avoidance of doubt, any security interest created pursuant to any top-up of security) will be subject to the terms of the financing transaction underlying such security and not within the control of the pledgor, any change in the beneficial owner of the Shares during the Relevant Period resulting from the foreclosure, enforcement or exercise of other rights by the lenders in respect of such security interest will not be subject to Rule 9.09(b) of the Listing Rules; and
2. persons in Category 1 and Category 2 who (i) use their respective Shares other than as described in this section headed “Dealings in Shares prior to Listing” or (ii) who are not dealing in the Company’s securities according to Rule 10b5-1 Plans set up before the Relevant Period are subject to the restrictions under Rule 9.09(b) of the Listing Rules.

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We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules on the following conditions:

1. Categories 1 and 2 of the Permitted Persons who entered into Rule 10b5-1 Plans have no discretion over dealings in the ADSs after the plans have been entered into. Where Categories 1 and 2 of the Permitted Persons use the Shares as security, other than those set out in the waiver above, there will be no change in the beneficial ownership of the Shares during the Relevant Period;
2. Categories 3 and 4 of the Permitted Persons do not have any influence over the Listing and do not possess any non-public inside information of ours given that such persons are not in a position with access to information that is considered material to us taken as a whole. Given the number of our subsidiaries and Consolidated Affiliated Entities and our vast ADS holder base, we and our management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in the ADSs;
3. we will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which we are aware and will not have any influence over the Listing;
4. we will notify the Stock Exchange of any breaches of the dealing restrictions by any of our core connected persons during the Relevant Period when we become aware of the same other than dealings by our core connected persons who are Permitted Persons within the permitted scopes set out above; and
5. prior to the Listing Date, other than within the permitted scopes set out above, the Directors and chief executive and the directors and chief executives of our Significant Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period, provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under the Group's share incentive plans.

We believe that the circumstances relating to this waiver align with those set out in the Stock Exchange's Guidance Letter HKEX-GL42-12 and the Note to Rule 9.09 of the Listing Rules and the grant of this waiver will not prejudice the interests of potential investors.

WAIVER IN RELATION TO THE SHARE INCENTIVE PLANS

Rule 17.02(1)(b) of the Listing Rules requires that full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options or awards be disclosed in this

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listing document. Paragraph 27 of Appendix 1A to the Listing Rules requires a listing applicant to disclose, *inter alia*, particulars of any capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees. We note that under paragraph 27 of Appendix 1A to the Listing Rules, where options have been granted to employees under a share scheme, it is not necessary to disclose the names and addresses of the grantees of the options.

The Company has adopted the 2014 Share Incentive Plan and the 2015 Share Incentive Plan which contain substantially the same terms. As of the Latest Practicable Date, we had granted outstanding options under the 2014 Share Incentive Plan and the 2015 Share Incentive Plan to 364 grantees (including the Directors and senior management of the Company, other employees of the Group and consultants of the Company) to subscribe for an aggregate of 14,226,039 Shares. As of the Latest Practicable Date, among these outstanding options, 1,057,209.5 were held by Directors, 1,027,266 were held by senior management of the Company, 9,971,710.5 were held by other employees of the Group (who are not Directors or members of senior management of the Company) and 2,169,853 were held by consultants of the Company. The Shares underlying the granted options represent approximately 1.24% of the total number of issued and outstanding Shares immediately after completion of the Listing (assuming no further Shares are issued under Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes). The Board has approved to (i) conditionally amend and restate the 2014 Share Incentive Plan and add the scheme limit of the 2015 Share Incentive Plan to the 2014 Share Incentive Plan, and (ii) conditionally terminate the 2015 Share Incentive Plan. Such amendment and termination are subject to the approval by the Shareholders at the EGM. Upon the approval by the Shareholders at the EGM, the 2015 Share Incentive Plan will be terminated and all outstanding options granted under the 2015 Share Incentive Plan will be substituted by the options to be granted under the 2014 Share Incentive Plan before Listing. The terms of the options (including but not limited to the number of shares underlying the options, the exercise prices, the performance targets and the vesting schedules) so granted will be the same as the terms of the outstanding options previously granted to the relevant grantees under the 2015 Share Incentive Plan. For further details of the 2014 Share Incentive Plan, the 2015 Share Incentive Plan and the amendment and termination of the relevant plan, see the section headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV to this document.

As of the Latest Practicable Date, the Company had granted unvested performance share units (including those that have not been unlocked) under the 2019 Performance Share Unit Plan to 370 grantees (including Directors and senior management of the Company, other employees of the Group and consultants of the Company) to acquire an aggregate of 2,271,573 Shares upon vesting. As of the Latest Practicable Date, among these unvested performance share units, 510,142 were held by Directors, 112,406 were held by senior management of the Company, 1,295,378 were held by other employees of the Group (who are not Directors or members of senior management of the Company) and 353,647 were held by consultants of the Company. The Shares underlying the unvested performance share units represent approximately 0.2% of

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the total number of issued and outstanding Shares immediately after completion of the Listing (assuming no further Shares are issued under the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes). For further details of the 2019 Performance Share Unit Plan, see the section headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV to this document.

We have applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules in connection with the disclosure of certain details relating to the options and performance share units and certain grantees in this document on the ground that the waiver will not prejudice the interest of the investing public and strict compliance with the above requirements would be unduly burdensome for us for the following reasons, among others:

- (a) as of the Latest Practicable Date, we had granted outstanding options to a total of 364 grantees under the 2014 Share Incentive Plan and 2015 Share Incentive Plan to acquire an aggregate of 14,226,039 Shares, representing approximately 1.24% of the total number of issued and outstanding Shares immediately after completion of the Listing (assuming no further Shares are issued under the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes). The grantees under the 2014 Share Incentive Plan and 2015 Share Incentive Plan include two Directors, three senior management of the Company, 271 other employees of the Group (who are not Directors or members of senior management of the Company) and 88 consultants of the Company;
- (b) as of the Latest Practicable Date, we had granted unvested performance share units (including those that have not been unlocked) to a total of 370 grantees under the 2019 Performance Share Unit Plan to acquire an aggregate of 2,271,573 Shares upon vesting, representing approximately 0.2% of the total number of issued and outstanding Shares immediately after completion of the Listing (assuming no further Shares are issued under the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes). The grantees under the 2019 Performance Share Unit Plan include three Directors, four senior management of the Company, 309 other employees of the Group (who are not Directors or members of senior management of the Company) and 54 consultants of the Company;
- (c) the Directors consider that it would be unduly burdensome to disclose in this document full details of all the options and performance share units granted by us to each of the grantees, which would significantly increase the cost and time required for information compilation and listing document preparation for strict compliance with such disclosure requirements. For example, we would need to collect and provide verification documents to meet the disclosure requirement. Further, the disclosure of the personal details of each grantee, including the number of options and/or unvested performance share units granted, may require obtaining consent from the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for us to obtain such consents given the number of grantees;

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- (d) material information on the options and unvested performance share units has been disclosed in this document to provide prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the outstanding options and unvested performance share units in making their investment decision, and such information includes:
- (i) a summary of the terms of each of the 2014 Share Incentive Plan and the 2019 Performance Share Unit Plan;
 - (ii) the aggregate number of Shares subject to the outstanding options and unvested performance share units and the percentage of our Shares which such number represents;
 - (iii) the dilutive effect and the impact on earnings per Share of full exercise of the outstanding options and vesting of the unvested performance share units granted under the Share Incentive Plans;
 - (iv) full details of the outstanding options granted to Directors and members of the senior management of the Company on an individual basis, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules;
 - (v) with respect to the outstanding options granted to other grantees (other than those referred to in (iv) above), disclosure are made on an aggregate basis, the following details are disclosed in this document, including (1) the aggregate number of such grantees and the number of Shares subject to the outstanding options; (2) the consideration paid for the grant of the outstanding options; and (3) the exercise period and the exercise price for the outstanding options;
 - (vi) full details of the unvested performance share units granted to Directors and members of the senior management of the Company on an individual basis, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules;
 - (vii) with respect to the unvested performance share units granted to other grantees (other than those referred to in (vi) above), disclosure are made on an aggregate basis, the following details are disclosed in this document, including (1) the aggregate number of such grantees and the number of Shares subject to the unvested performance share units; (2) the consideration paid for the grant of the unvested performance share units (if any); and (3) the vesting period and the purchase price of Shares subject to the unvested performance share units (if any);
 - (viii) the particulars of the waiver granted by the Stock Exchange; and
 - (ix) a full list of all the grantees under the Share Incentive Plans containing all the particulars as required under the Listing Rules will be made available for public inspection in

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accordance with the section headed “Documents Available on Display—Document Available for Inspection” in Appendix VI to this document;

- (e) the 359 grantees who are not Directors or members of the senior management of the Company have been granted outstanding options under the 2014 Share Incentive Plan and 2015 Share Incentive Plan to acquire an aggregate of 12,141,563.5 Shares, which is not material in the circumstances of the Company, and the exercise in full of such options will not cause any material adverse change in the financial position of the Company;
- (f) the 363 grantees who are not Directors or members of the senior management of the Company have been granted unvested performance share units under the 2019 Performance Share Unit Plan to acquire an aggregate of 1,649,025 Shares upon vesting, which is not material in the circumstances of the Company, and the vesting in full of such performance share units will not cause any material adverse change in the financial position of the Company; and
- (g) the Directors consider that non-compliance with the above disclosure requirements would not prevent the Company from providing potential investors with sufficient information for an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Group. Strict adherence to the disclosure requirements, including to disclose the names, addresses, and entitlements on an individual basis of over three hundred grantees without reflecting the materiality of the information does not provide any additional meaningful information to the investing public.

In light of the above, the Directors are of the view that the grant of the waiver sought under this application and the non-disclosure of the required information will not prejudice the interests of the investing public.

The Stock Exchange has granted the Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules with respect to the outstanding options and unvested performance share units granted under the Share Incentive Plans on the condition that:

- (a) on an individual basis, full details of the outstanding options granted under the 2014 Share Incentive Plan and 2015 Share Incentive Plan to each of the Directors and the senior management of the Company are disclosed in the section headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules;
- (b) in respect of the outstanding options granted under the 2014 Share Incentive Plan and 2015 Share Incentive Plan to other grantees (other than those set out in (a) above), disclosure will be made on an aggregate basis, the following details are disclosed in this document, including (1) the aggregate number of the grantees other than those set out in (a) above and the number of Shares subject to the outstanding options granted to them under the 2014 Share Incentive Plan

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and 2015 Share Incentive Plan; (2) the consideration paid for the grant of the outstanding options under the 2014 Share Incentive Plan and 2015 Share Incentive Plan; and (3) the exercise period and the exercise price for the outstanding options granted under the 2014 Share Incentive Plan and 2015 Share Incentive Plan;

- (c) on an individual basis, full details of the unvested performance share units granted under the 2019 Performance Share Unit Plan to each of the Directors and the senior management of the Company are disclosed in the section headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV as required under Rule 17.02(1)(b) of the Listing Rules;
- (d) in respect of the unvested performance share units granted under the 2019 Performance Share Unit Plan to other grantees (other than those set out in (c) above), disclosure will be made on an aggregate basis, the following details are disclosed in this document, including (1) the aggregate number of the grantees other than those set out in (c) above and the number of Shares subject to the unvested performance share units granted to them under the 2019 Performance Share Unit Plan, (2) the consideration paid for the grant of the unvested performance share units under the 2019 Performance Share Unit Plan, and (3) the vesting period and the purchase price of Shares subject to the unvested performance share units (if any);
- (e) the aggregate number of Shares underlying the outstanding options and unvested performance share units granted under the Share Incentive Plans and the percentage of the Company’s total issued and outstanding share capital represented by such number of Shares as of the Latest Practicable Date are disclosed in this document;
- (f) the dilutive effect and impact on earnings per Share of the full exercise of the outstanding options under the 2014 Share Incentive Plan and 2015 Share Incentive Plan and the full vesting of the unvested performance share units under the 2019 Performance Share Unit Plan are disclosed in the section headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV;
- (g) a summary of the major terms of each of the 2014 Share Incentive Plan and the 2019 Performance Share Unit Plan are disclosed in the section headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV;
- (h) the particulars of this waiver are disclosed in this document; and
- (i) a full list of all the grantees of the outstanding options or unvested performance share units under the Share Incentive Plans, containing all the particulars as required under the Listing Rules will be made available for public inspection in accordance with the section headed “Documents Available on Display—Document Available for Inspection” in Appendix VI to this document.

Further details of the Share Incentive Plans are set forth in the section headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV.

WAIVERS

EXERCISE PRICE OF OPTIONS TO BE GRANTED PURSUANT TO THE 2014 SHARE INCENTIVE PLAN

Rule 17.03E of the Listing Rules states that the exercise price of an option must be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

Since the listing of the ADSs on the NYSE in October 2020, it has been our practice to issue options under the 2014 Share Incentive Plan and 2015 Share Incentive Plan, and we will continue to issue options under the 2014 Share Incentive Plan after the Listing.

On the basis that (a) the method for determining the exercise price of the options based on the market price of ADSs substantially replicates the requirement in Rule 17.03E of the Listing Rules, and (b) the exercise price of options exercisable into ADSs will be presented in U.S. dollars, we will grant options exercisable into ADSs under the 2014 Share Incentive Plan with exercise prices based on the market price of its ADSs, which will be presented in U.S. dollars, after the Listing, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 17.03E of the Listing Rules such that the Company will be able to determine the exercise price for options exercisable into ADSs under the 2014 Share Incentive Plan based on the higher of: (i) the per-share closing price of the Company's ADSs on the NYSE on the date of grant, which must be an NYSE business day; and (ii) the average per-share closing price of the Company's ADSs on the NYSE for the five NYSE trading days immediately preceding the date of grant, subject to the condition that the Company shall not issue any share options with an exercise price presented in Hong Kong dollars unless such exercise price complies with Rule 17.03E of the Listing Rules.

THE DISCLOSURE REQUIREMENTS WITH RESPECT TO CHANGES IN SHARE CAPITAL

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of the Group within two years immediately preceding the issue of this document.

We have identified 16 entities that we consider are the major subsidiaries primarily responsible for the track record results of the Group (the "**Principal Entities**," and each a "**Principal Entity**"). For further details, see the section headed "History and Corporate Structure—Our Principal Operating Subsidiaries." We have over 40 subsidiaries and Consolidated Affiliated Entities as of the Latest Practicable Date. It would be unduly burdensome for us to disclose particulars of any alternations in the share capital of all our subsidiaries and Consolidated Affiliated Entities, which would not be material or meaningful to investors. None of the non-Principal Entities is individually material to us in terms of its contribution to our total income or total assets or holds any major assets and intellectual property rights. By way of illustration, for each of the three financial years ended December 31, 2022, the aggregate revenue of the Principal Entities represented over 90% of the Group's total income and the aggregate assets of the Principal Entities represented over 60% of the Group's total assets. Accordingly, the remaining subsidiaries in the Group are not significant to the overall operations and financial results of the Group.

WAIVERS

Particulars of the changes in the share capital of the Company and the Principal Entities are disclosed in the section headed “Statutory and General Information—A. Further Information about the Company and Our Subsidiaries—2. Changes in share capital of the Company” and “Statutory and General Information—A. Further Information about the Company and Our Subsidiaries—3. Changes in the share capital of our subsidiaries” in Appendix IV to this document.

CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of the Company under the Listing Rules following the completion of the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (where applicable) (i) the announcement requirement, (ii) the independent shareholders’ approval requirement, (iii) the annual cap requirement, and (iv) the requirement of limiting the term of the continuing connected transactions set out under Chapter 14A of the Listing Rules for such continuing connected transactions. For further details, see the section headed “Connected Transactions.”

SHARE REPURCHASE AND TREASURY SHARES

Rule 10.06(5) of the Listing Rules provides that an issuer must ensure that the documents of title of purchased shares are automatically canceled and destroyed as soon as reasonably practicable following settlement of any such purchase.

As at the Latest Practicable Date, the Company held an aggregate of 57,397,114 treasury shares (the “**Treasury Shares**”), which comprised (i) 54,954,754 Shares underlying the 109,909,508 ADSs repurchased by the Company pursuant to the share repurchase programs authorized by the Board (the “**Repurchased ADSs**”), and (ii) 2,442,360 Shares issued to the Depository for bulk issuance of 4,884,720 ADSs reserved for further issuances upon the exercise or vesting of options or awards granted under the Share Incentive Plans. The Company has not canceled any Repurchased ADSs in the past and it is intended that such Repurchased ADSs will be utilized to satisfy options and/or awards under the share incentive plans of the Company. In addition, it is common market practice for US listed companies to issue shares to the depository for bulk issuance of ADSs to facilitate the exercise or vesting of options or awards granted under the share incentive plans.

The Company is incorporated in the Cayman Islands and listed on the NYSE. The Company is not prohibited from repurchasing any ADSs from the US market and holding the Repurchased ADSs in treasury pursuant to the Cayman Companies Act as well as the rules of the NYSE.

For the purpose of Section 13(d) of the Exchange Act, the shares that an issuer repurchased do not count as outstanding shares. The Treasury Shares are not counted towards the Company’s total number of issued and outstanding Shares. The holders of the Treasury Shares do not have (a) the right to attend or vote at the Shareholders’ meetings; or (b) the right to receive dividends or other distribution, whether cash or otherwise, of the Company’s assets including any distribution of assets upon winding up of the Company.

WAIVERS

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 10.06(5) of the Listing Rules so that the Company could retain the Treasury Shares it held before the Listing on the following grounds:

- (a) Upon the approval by the Board of share repurchase programs, the Company started to repurchase its ADSs on the NYSE from 2021. From 2021 and up to the Latest Practicable Date, the Company had acquired 109,909,508 ADSs on the NYSE, representing 54,954,754 Shares for a total purchase price of approximately US\$875.2 million. Pursuant to the Depositary Agreement between the Company and the Depositary, for cancellation of ADSs, the Depositary will charge US\$0.05 per ADS. As such, to cancel all the Treasury Shares, the Company would incur cancellation fees in the amount of approximately US\$5.5 million. Given the significant financial resources the Company has incurred in purchasing the ADSs and the substantial amount of the cancellation fees, it is not commercially desirable or in the best interest of the Company or its Shareholders to cancel the Treasury Shares.
- (b) The inability of the Company to continue to retain the Treasury Shares and use them to satisfy options or awards under the share incentive plans of the Company would put the Company at a disadvantage compared with other Companies listed on the NYSE.
- (c) The Company has made an application to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and outstanding (excluding the Treasury Shares) and the Shares to be issued under the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes pursuant to Rule 8.05(1) of the Listing Rules. Therefore, the Treasury Shares are not included in the Company's application to the Listing Committee for the listing approval. On this basis, the Treasury Shares will only be admitted for listing on the Stock Exchange when they are used for the exercise of options or vesting of share awards.
- (d) The Company will not deposit the Treasury Shares into the CCASS for trading. Therefore, the retaining of the Treasury Shares will not have any impact on the trading of the Shares on the Stock Exchange upon Listing.

As part of the waiver application, the Company has made a list of modifications to a number of Listing Rules necessary or consequential to enable the Company to retain the Treasury Shares (the "**Modifications**"). The Modifications are set out in "*Appendix V—Modifications to the Listing Rules*".

The Company will make an annual submission to the Stock Exchange in respect of any changes to the Listing Rules which may take place from time to time to assess whether they have any implications for its ability to hold the Treasury Shares so long as the Treasury Shares remain outstanding. In addition, so long as the Treasury Shares remain outstanding, should any further consequential modifications be required as a result of such changes to the Listing Rules, the Modifications shall be amended accordingly and a full version of the amended Modifications will be posted on the Company's and the Stock Exchange's websites.

WAIVERS

The Stock Exchange has granted the above waiver on the following conditions:

- (a) in respect of any Shares or ADSs which the Company will repurchase after the Listing, the Company will fully comply with the requirements under Rule 10.06(5) of the Listing Rules;
- (b) no treasury shares will be issued after the Listing;
- (c) the Treasury Shares will not be deposited into the CCASS for trading;
- (d) for so long as the Shares are listed on the Stock Exchange, subject to compliance with the Listing Rules with the Modifications, the Company shall only use the Treasury Shares held by it for the purpose of satisfying options and/or awards to be granted under the Share Incentive Plans and any share incentive plans to be adopted by the Company in future;
- (e) the Company shall disclose in this Listing Document the grant of this waiver setting out relevant details including the circumstances and the conditions imposed;
- (f) the Company will confirm compliance with the conditions of this waiver in the Company's annual reports and circulars seeking shareholder approval for the repurchase mandate upon the Listing;
- (g) the Company will inform the Stock Exchange promptly of any change being made to the Cayman Companies Act or the rules of the NYSE applicable to the Treasury Shares; and
- (h) the Company will comply with the Listing Rules with the Modifications applicable to treasury shares or any future changes to the Listing Rules applicable to treasury shares.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

NO CHANGE IN THE NATURE OF OUR BUSINESS

No change in the nature of our business is contemplated immediately following the Listing.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Shares are currently listed on the NYSE. An application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and outstanding (excluding Shares underlying the ADSs repurchased by the Company pursuant to the share repurchase programs and Shares issued to the Depository for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of options or awards granted under the Share Incentive Plans) and the Shares to be issued under the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes pursuant to Rule 8.05(1) of the Listing Rules. Our listings on both the Stock Exchange and the NYSE will be dual primary listings. Consequently, unless otherwise agreed by the NYSE or, as the case may be, the Stock Exchange, the Company must comply with the Listing Rules and the NYSE Listed Company Manual and any other relevant regulations and guidelines in Hong Kong and the United States which are applicable to us. In the event where there is a conflict or inconsistency between the requirements of the listing rules of the two stock exchanges, the Company will comply with the more onerous requirements. Our Directors will use their best endeavors to ensure that no release of information will be made in the United States unless a simultaneous release is made in Hong Kong and *vice versa*.

Our Directors confirmed that the Company has been in compliance with relevant applicable laws and listing rules of the NYSE during their respective terms of office. In addition, each of our Directors has confirmed that he/she has been in compliance with relevant applicable laws of the United States and the NYSE Listed Company Manual during their respective terms of office.

No approval from the NYSE is required for the proposed Listing.

Details of the arrangement for the removal of Shares from the principal share register to the Hong Kong Share Register or from the Hong Kong Share Register to the principal share register are set out in the section headed "Listings, Registration, Dealings and Settlement" in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE LISTING

Commencement of Dealings in the Shares

Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence on April 14, 2023. The Shares will be traded on the Main Board of the Stock Exchange in board lots of 100 Shares each.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

Conditions of the Listing

The Listing is subject to the fulfillment of the conditions that, among other things, the Listing Committee grants the listing of, and permission to deal in, on the Main Board of the Stock Exchange, the Shares in issue and outstanding (excluding Shares underlying the ADSs repurchased by the Company pursuant to the share repurchase programs and Shares issued to the Depositary for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of options or awards granted under the Share Incentive Plans) and the Shares to be issued pursuant to the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes.

Reasons for the Listing and the Introduction

The Company currently has a primary listing of ADSs on the NYSE, which it intends to maintain alongside its proposed dual primary listing of the Shares on the Hong Kong Stock Exchange. Our Directors consider that it is desirable and beneficial for the Company to have dual primary listing status in both Hong Kong and the NYSE so that the Company can have ready access to these different equity markets when opportunity arises. We believe the two markets attract different investor profiles, thereby widening the investor base of the Company and increasing the liquidity of the Shares. In particular, dual primary listing status in both Hong Kong and the NYSE enables us to benefit from our exposure to a wider range of private and institutional investors. Our Directors believe that a listing in Hong Kong is in line with our focus on our operations in the PRC, which is important for our growth and long-term strategic development.

Shares will be Eligible for Admission into CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as maybe determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisors.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in the Shares. None of us, the Joint Sponsors, any of their respective directors or any other person or party involved in the Listing accepts responsibility for any tax effects on, or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, or dealing in, the Shares.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

Our principal register of members will be maintained by its principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our branch register of members will be maintained

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

by our branch registrar in Hong Kong, Tricor Investor Services Limited. Further details of the transfer, trading and removal of Shares between the principal share register and Hong Kong Share Register are set out under the section headed “Listings, Registration, Dealings and Settlement” in this document. Dealings in the Shares registered on the Hong Kong Share Register will be subject to Hong Kong stamp duty. Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on the Hong Kong Share Register, by ordinary post, at the Shareholder’s risk, to the registered address of each Shareholder.

EXCHANGE RATE CONVERSION

Our reporting currency is Renminbi. This document contains translations of financial data in Renminbi and Hong Kong dollar amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise stated, all translations of financial data in Renminbi and Hong Kong dollars into U.S. dollars and from U.S. dollars into Renminbi and Hong Kong dollars in this document were made at a rate of RMB6.9545 to US\$1.00 and HK\$7.8489 to US\$1.00, the respective exchange rates on February 24, 2023 set forth in the H.10 statistical release of the Federal Reserve Board.

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

DIRECTORS

Name	Address	Nationality
<i>Executive directors</i>		
Yong Suk CHO (趙容奭)	418 Jinxiu East Road Pudong New District Shanghai PRC	South Korea
Gregory Dean GIBB (計葵生)	888 Mingyue Road Pudong New District Shanghai PRC	the United States of America
<i>Non-executive director</i>		
Guangheng JI (冀光恒)	4088 Yitian Road Futian District Shenzhen, Guangdong Province PRC	China
Xin FU (付欣)	3 Shenwan First Road Nanshan District Shenzhen, Guangdong Province PRC	China
Yuqiang HUANG (黃玉強)	7087 Beihuan Boulevard Futian District Shenzhen, Guangdong Province PRC	China
<i>Independent non-executive Directors</i>		
Rusheng YANG (楊如生)	1063 Xiangmei Road Futian District Shenzhen, Guangdong Province PRC	China
Weidong LI (李偉東)	8 Shan Yin Road, Grand Palisades Tai Po New Territories Hong Kong	China (Hong Kong)

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

Name	Address	Nationality
Xudong ZHANG (張旭東)	Sky Horizon 35-37 Cloudview Road North Point Hong Kong	China (Hong Kong)
David Xianglin LI (李祥林)	88 Guangyuan West Road Xuhui District Shanghai PRC	Canada

See “Directors and Senior Management” for further details.

PARTIES INVOLVED IN THE INTRODUCTION

Joint Sponsors

J.P. Morgan Securities (Far East) Limited

28/F, Chater House,
8 Connaught Road Central
Hong Kong

Morgan Stanley Asia Limited

46/F, International Commerce Center
1 Austin Road West
Kowloon, Hong Kong

UBS Securities Hong Kong Limited

52/F Two International Finance Center
8 Finance Street
Central
Hong Kong

Financial Advisor

Ping An of China Capital (Hong Kong) Company Limited

Unit 3601, 36/F, The Center
99 Queen’s Road Central
Hong Kong

Legal Advisers to the Company

As to Hong Kong and U.S. laws

Skadden, Arps, Slate, Meagher & Flom and affiliates

42/F, Edinburgh Tower
The Landmark
15 Queen’s Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

As to PRC law

Haiwen & Partners

2605 Jing An Kerry Center
Tower 1, 1515 Nan Jing West Road
Shanghai
China

As to Cayman Islands law

Maples and Calder (Hong Kong) LLP

26/F, Central Plaza,
18 Harbor Road
Wan Chai
Hong Kong

Legal Advisers to the Joint Sponsors

As to Hong Kong and U.S. laws

Cleary Gottlieb Steen & Hamilton (Hong Kong)

37/F, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

As to PRC law

Zhong Lun Law Firm

6/10/11/16/17F, Two IFC
8 Century Avenue
Pudong New Area
Shanghai
China

**Legal Advisers to the Designated Dealer
and the Alternate Designated Dealer**

As to Hong Kong and U.S. laws

Cleary Gottlieb Steen & Hamilton (Hong Kong)

37/F, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

**Reporting Accountant and independent
auditor**

PricewaterhouseCoopers

*Certified Public Accountants
Registered Public Interest Entity Auditor*
22/F, Prince's Building
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

Industry Consultant

China Insights Industry Consultancy Limited

10/F, Block B, Jing'an International Center

88 Puji Road, Jing'an District

Shanghai

China

CORPORATE INFORMATION

Registered Office	Maples Corporate Services Limited PO Box 309, Uglan House Grand Cayman, KY1-1104, Cayman Islands
Head Office and Principal Place of Business in China	Building No. 6, Lane 2777, Jinxiu East Road Pudong New District Shanghai People's Republic of China
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road, Kowloon Hong Kong
Company's Website	https://ir.lufaxholding.com/ <i>(the information contained on this website does not form part of this document)</i>
Company Secretary	Ms. Sharon Wing Han LEUNG <i>(FCG, HKFCG)</i>
Authorized Representatives	Mr. Gregory Dean GIBB Building No. 6, Lane 2777, Jinxiu East Road Pudong New District Shanghai People's Republic of China Ms. Sharon Wing Han LEUNG 5/F, Manulife Place 348 Kwun Tong Road, Kowloon Hong Kong
Audit Committee	Mr. Rusheng YANG <i>(Chairperson)</i> Mr. Xudong ZHANG Mr. David Xianglin LI
Nomination and Remuneration Committee	Mr. Weidong LI <i>(Chairperson)</i> Mr. Xudong ZHANG Mr. Rusheng YANG
Compliance Adviser	Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong
Hong Kong Share Registrar	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong

CORPORATE INFORMATION

**Principal Share Registrar and
Transfer Office**

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

Principal Banks

Ping An Bank Co., Ltd.
5047 Shennan Road East
Luohu District
Shenzhen
PRC

Bank of China Limited
No. 1 Fuxingmen Nei Dajie
Xicheng District
Beijing
PRC

China Minsheng Banking Corp., Ltd.
No. 2 Fuxingmennei Avenue
Xicheng District
Beijing
PRC

China Everbright Bank Company Limited
China Everbright Center
No. 25 Taipingqiao Street
Xicheng District
Beijing
PRC

Bank of Shanghai Co., Ltd.
No. 168, Middle Yincheng Road
China (Shanghai) Pilot Free Trade Zone
PRC

INDUSTRY OVERVIEW

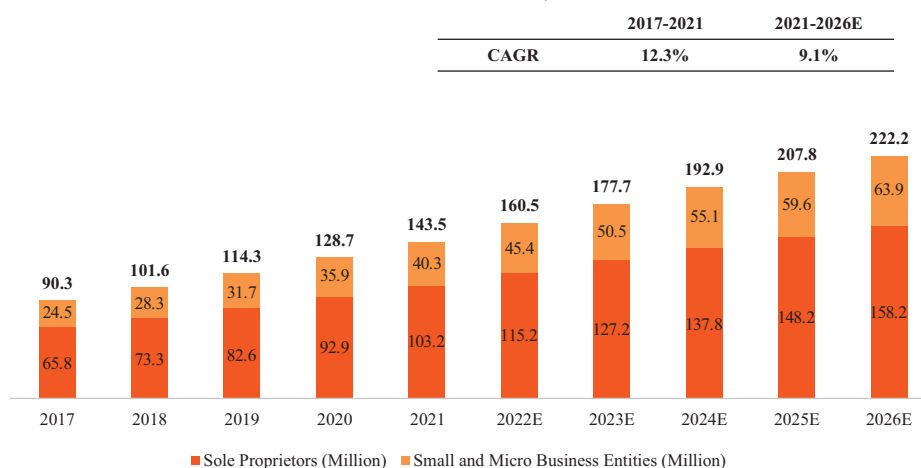
The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications, and from the market research report prepared by CIC (the “CIC Report”), which was commissioned by us. We believe that the information has been derived from appropriate sources such as CIC’s database, publicly available information sources, industry reports, and other sources. We believe that we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading, or that any fact has been omitted that would render such information false or misleading. The Directors believe that there has been no adverse change in the market since the completion of the CIC Report that may qualify, contradict, or impact the information set out in this section. The information from official government sources has not been independently verified by us, the Joint Sponsors, or any of our or their respective directors, officers, representatives, employees, agents or professional advisers, or any other person or party involved in the, and no representation is given as to the completeness, accuracy, or fairness of such information. Accordingly, such information should not be unduly relied upon. For discussions of risks relating to our industries, please refer to “Risk Factors—Risks Relating to Our Business and Industry.”

THE SMB SEGMENT IN CHINA

Overview of SMBs and SBOs

Small and micro businesses (“SMBs”) are ubiquitous in China. According to the National Bureau of Statistics and State Administration for Market Regulation, whose definition of SMB depends to an extent on the type of business being conducted, there were approximately 143.5 million SMBs in China as of the end of 2021, of which 40.3 million were organized as legal entities and 103.2 million were operated by sole proprietors. Typically, SMBs have small scale operations, with fewer than 50 people and less than RMB30 million of annual income, and are dispersed across a wide range of industries and geographies. Moreover, SMBs have an average lifespan of less than five years. SMBs typically lack collateral to pledge or consistency in cash flow given their small scale and short lifespan.

Number of SMBs in China, 2017-2026E



Source: CIC Report

Small business owners (“SBOs”) include both owners of legal entities and individuals who conduct their businesses as sole proprietors. SBOs often own and operate multiple SMBs, either consecutively or

INDUSTRY OVERVIEW

concurrently, in the same or related industries and at different stages in their lifecycles. SBOs as individuals may have a much stronger credit profile than their businesses, with real estate, cars or other personal assets. At the end of 2021, the number of SBOs in China reached 119.6 million.

SMBs are the backbone of the Chinese economy and enjoy strong national policy support. SMBs are responsible for over 60% of China's GDP, over 80% of its job creation, and around 60% of its exports in 2021. The Chinese government uses a variety of policy tools to promote the development of SMBs, including the adoption of favorable policies such as innovation incentives, tax preferences and financing support.

Macro-level impacts, such as periodic outbreaks of COVID-19 and the resulting lockdowns as well as the resulting slower-than-expected economy recovery, have affected the business environment for SMBs. The SMB operating index, an indicator for SMBs' overall monthly operations and development in China issued by the Economic Daily and the Postal Savings Bank of China, decreased from 50.6 in 2019 to 49.1 in the first half of 2022, reflecting that SMBs have not yet recovered to their pre-pandemic operation level.

The COVID-19 pandemic has placed great pressure on the revenue and operating costs of SMBs. According to a survey of one thousand SBOs conducted by CIC in December 2022, around 40% of respondents with increased financing needs during the COVID-19 period attributed the increase to declining revenue, and about 30% to higher operating costs. In the first quarter of 2022, due to lockdown measures taken by local governments, approximately 16% of China's economy in terms of GDP and 11% of its population was directly affected, and the impact rose further to 23% and 20%, respectively, in the second quarter of 2022. According to the Ministry of Commerce, about 4.6 million business entities were deregistered in the first half of 2022. Despite the easing of COVID-19 restrictions over the summer, the percentage of China's economy and population directly affected by lockdown measures still stood at 11% and 9%, respectively in the third quarter. According to a quarterly report on SMBs published by the Center for Enterprise Research of Peking University, SMBs' revenue recovery ratio, calculated by comparing the operating revenue of SMBs in a given period against the corresponding period of 2019, reached its lowest point in the second quarter of 2022 at only 24.4%, compared to 28.1% in the third quarter of 2022 and 38.3% in the second quarter of 2021.

As a result of lower revenues and higher operating costs, profit margins continue to be squeezed and working capital conditions vary across SMBs. According to a quarterly report on SMBs published by the Center for Enterprise Research of Peking University, SMBs are generally tight on working capital, with only enough working capital for 2.6 months on average as of the end of June 2022, and 47.5% of SMBs claimed not to have enough working capital to sustain their business operations for over a month at that time.

Challenges Faced by SMBs

SMBs and their owners face a variety of financial and operational challenges:

- **Limited access to financing:** According to the survey of SBOs conducted by CIC in December 2022, 95.3% of the respondents indicated that current available funding meets less than half of their total

INDUSTRY OVERVIEW

financing needs. With neither eligible collaterals nor organized and reliable business and financial records, traditional financial institutions are reluctant to extend financial support to SMBs, especially for loans with larger ticket size. The most common channel for SBOs to obtain financing is through borrowing from their friends and other private lending sources, while borrowing from banks and fintech companies is less common due to the above reasons. This issue is more pronounced for SBOs in lower-tier cities, as these areas have lower bank branch coverage rates and technology penetration rates.

- **Lack of strong credit profile and financial record:** Traditional banks generally require SBO borrowers to provide assets as collateral in order to extend financing to them. However, given the small-scale operation and typically shorter business lifespan nature of SMBs, SBOs often lack the collateral that traditional banks require to assess credit under a conventional risk assessment framework. SBOs also typically lack the financial expertise to maintain systematic financial records, which makes it more difficult for banks to assess their creditworthiness.
- **Unfamiliarity with digitalization:** In general, SBOs lack the ability to select and utilize appropriate digitalization tools for design, operational management, customer sourcing and converting customer data into meaningful insights. According to a report on SMBs enablement services demand published by the Center for SMB Financing Research of Renmin University, over 60% of SBOs rely on offline distribution channels for sales and marketing, which limits their customer coverage and efficiency.
- **Limited access to customers and partners:** Most SBOs are only able to acquire customers in their focused geographies. Customer traffic acquisition is also becoming increasingly expensive for SBOs, as customer acquisition costs doubled from 2017 to 2021. SBOs tend to run their businesses independently, and they often lack networks and resources for collaborating with other business partners, which are key for business expansion and customer acquisition.

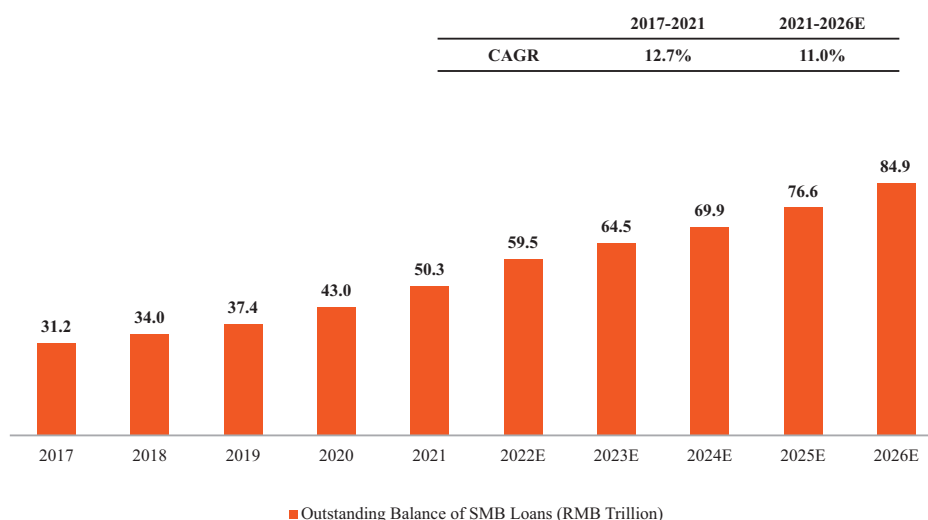
OVERVIEW OF THE SMB LOAN MARKET IN CHINA

Market Size

Although lenders may have their own definitions for SMB loans that differ from the standard applied by the National Bureau of Statistics, annual operating income is the most common criterion to determine whether a borrower is an SMB. SMB loans are usually defined as loans extended to businesses with an annual operating income of less than RMB30 million. The total outstanding balance of SMB loans in China totaled RMB50.3 trillion in 2021, having grown at a CAGR of 12.7% from 2017 to 2021, and it is expected to reach RMB84.9 trillion by 2026, representing a CAGR of 11.0%. Despite the importance of SMBs as a key driver for the Chinese economy, SMB loans only accounted for 26.0% of total financing in China in 2021.

INDUSTRY OVERVIEW

Market Size of SMB Loan Market in China, 2017-2026E



Source: CIC Report

The demand from SMBs for credit is expected to remain strong going forward. Considering the long-term positive outlook of the SMB segment, SMBs will continue to require external funding to support operating cash flow, customer acquisition and business expansion. SMBs also require financing solutions to cope with operational challenges and to navigate economic fluctuations, especially during and after the COVID-19 pandemic. There is also an increasing demand for digital transformation. An increasing number of SMBs are becoming more aware of how digitalization can improve their business processes. SMBs are expected to increase their investments in technology for various benefits, including deriving data insights that can potentially drive cost savings, increase productivity and generate market intelligence. Financial institutions are embracing technological innovation to enhance financial service offerings. With increased technology penetration, SMBs will also have more ability to apply for and obtain financing from channels outside of the traditional banking system, and online channels of traditional banks.

Government Policies on SMBs

The PRC government has announced a number of favorable policies to help SMBs both before and during the pandemic. The People's Bank of China had already lowered the criteria for inclusive SMB loans with lower reserve rate requirements for banks in January 2019, and the People's Bank of China, the CBIRC, the Ministry of Finance, the NDRC and the MIIT have extended the repayment of inclusive SMB loans a number of times since June 2020. The CBIRC, the People's Bank of China and the State Council have continued to encourage banks to prioritize the financing needs of SMBs with the issuance of several notices in 2022. In November 2022, the People's Bank of China encouraged financial institutions to further reduce the effective annual interest rate of inclusive SMB loans by 1% in the fourth quarter of 2022 for the outstanding loans and new loans. Additionally, People's Bank of China, the CBIRC, the Ministry of Finance, the NDRC, the MIIT, and the SAMR jointly released "Notice on Further Increasing the Support for Deferred Repayment of Loan Principal and Interest by Micro and Small Businesses" (《關於進一步加大對小微企業貸款延期還本付息支持力度的通知》), which encouraged delayed repayment of principal and interest of SMB loans. The State Council has also issued policies supporting sole proprietors in 2022 which strengthen the protection of their property rights and call for financial

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support for them. Leading banks have responded to the government's directive to support loans to SMBs by revising their SBO lending policies, adjusting their credit standards, and offering incentives as well as other financial support to improve financing access for SMBs in 2022. Towards the end of 2022, multiple regulators also included support to SMBs in their annual work plans. Financial institutions have been guided by the People's Bank of China to further address the difficulties in SMB financing regardless of their ownership structure, and the CBIRC has continued promoting and improving the structure of SMB loans, encouraging loan issuance to first-time SMB loan borrowers. The PRC government has also issued various policies to support domestic consumption spending, including the "Opinions of the General Office of the State Council on Further Unleashing the Potential of Consumer Spending and Promoting the Sustained Recovery of Consumption" (《國務院辦公廳關於進一步釋放消費潛力促進消費持續恢復的意見》) in April 2022, which encouraged financial institutions to enhance financial support for entities severely impacted by the pandemic. In June 2022, the CBIRC and People's Bank of China issued the "Notice of Strengthening Financial Services for New Urban Residents" (《關於加強新市民金融服務工作的通知》), which encouraged financial institutions to improve the availability and facilitation of financial services to new urban residents, including strengthening credit support and the level of insurance protection for their entrepreneurship and employment. The "Outline of the Plan for the Domestic Demand Expansion Strategy (2022-2035)" (《擴大內需戰略規劃綱要(2022-2035年)》) issued by the State Council in December 2022 also set the long-term goals to scale-up consumption and investment in China and build up an effective system to boost domestic demand.

Thanks to the PRC government's favorable policies and support of inclusive finance, the unmet financing demand of SMBs has been declining from 2019 to 2021. Nevertheless, CIC has estimated that 46.7% of the financing demand of SMBs remained unmet in China in 2021. This translates to an unmet financing demand of RMB44.1 trillion as of the end of 2021, and this metric is expected to increase to RMB70.9 trillion in 2026, implying a CAGR of 9.9%.

OVERVIEW OF THE INCLUSIVE SMB LOAN MARKET IN CHINA

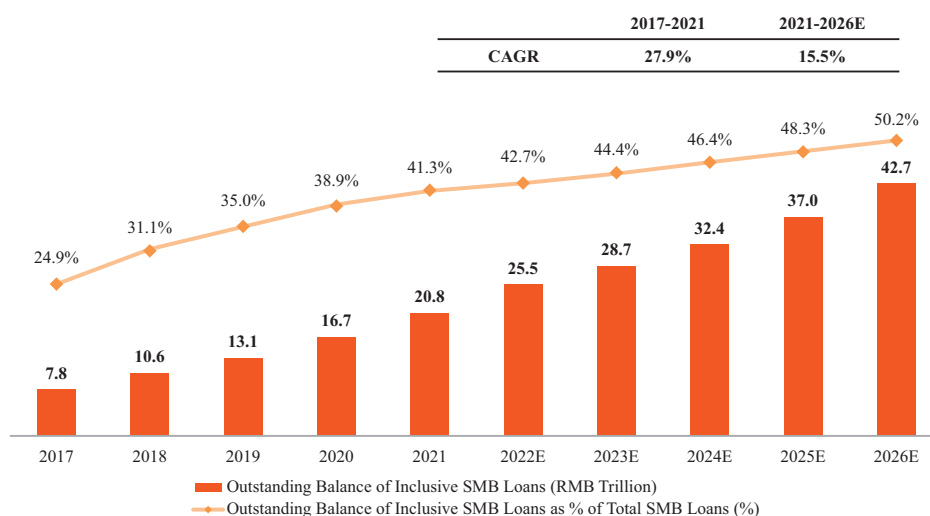
Market Size

Inclusive SMB loans are SMB loans that are extended to a single qualified borrower with a total credit line not exceeding RMB10 million, according to the CBIRC definition. At the end of 2021, the outstanding balance of inclusive SMB loans in China reached RMB20.8 trillion, representing over 41% of the total outstanding balance of loans to SMBs. The inclusive SMB loan market, like the SMB loan market as a whole, is served by both traditional financial institutions and non-traditional financial service providers. Traditional financial institutions offer loans to SMBs using their own funds and focus primarily on secured lending with collaterals. Non-traditional financial service providers, also known as enablers, mainly enable traditional financial institutions to distribute loans to SMBs by leveraging their customer access and risk management capabilities through co-lending, guarantee or loan facilitation models. Certain non-traditional financial service providers will also fund the loans that they enable.

From 2017 to 2021, inclusive SMB loans grew at a CAGR of 27.9%, while non-inclusive SMB loans grew at a much lower CAGR of only 5.9%. Going forward, inclusive SMB loans are expected to grow at a CAGR of 15.5% from 2021 to 2026, while non-inclusive SMB loans are expected to grow at a CAGR of 7.4% in the same period. The growth of inclusive SMB loans is driven by the increase in number of SMBs and the increase in loan penetration rate, supported by credit stimulus policy and the government's directive to enhance credit support for small and micro sized businesses.

INDUSTRY OVERVIEW

Market Size of Inclusive SMB Loan Market in China



Source: CIC Report

Funding Sources

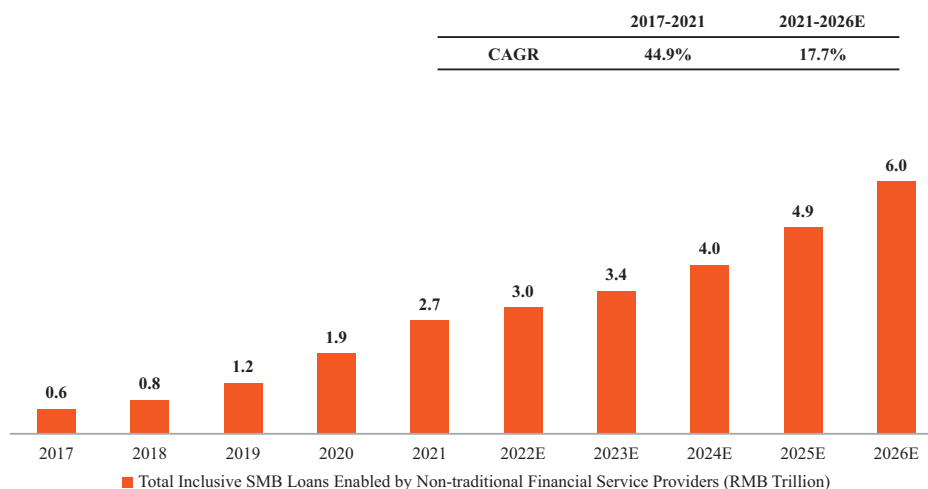
The inclusive SMB loan market is funded by two key funding sources, namely traditional banks and other financial institutions. Traditional banks include state-owned banks, joint-stock banks, city and rural commercial banks, other rural financial institutions, such as rural credit unions. Other financial institutions include mainly trust companies, leasing and factoring companies, digital banks and small loan companies. As of the end of 2021, 84.1% of the outstanding inclusive SMB loans, or RMB17.5 trillion, were funded by traditional banks. Going forward, traditional banks are expected to remain as the main source for providing inclusive SMB loans.

Enablement

As of the end of 2021, RMB2.7 trillion of the outstanding balance of inclusive SMB loans had been enabled by non-traditional financial service providers. The outstanding balance of inclusive SMB loans enabled by non-traditional financial service providers is expected to reach RMB6.0 trillion by 2026, representing a CAGR of 17.7% from 2021, which is faster than the expected growth of the overall inclusive SMB loan market of 15.5% across the same period.

INDUSTRY OVERVIEW

Total Inclusive SMB Loans Enabled by Non-traditional Financial Service Providers, 2017–2026E



Source: CIC Report

Under the co-lending model, non-traditional financial service providers are regulated to fund the loans issued to borrowers jointly with other funding parties, contributing at least 30% of funds for each loan enabled per the Notice of Further Regulating the Internet Loan Business of Commercial Banks (《關於進一步規範商業銀行互聯網貸款業務的通知》). Under the guarantee model, non-traditional financial service providers generally do not contribute funds and mainly provide credit enhancement against the borrowers' default risk. Meanwhile, under the loan facilitation model, non-traditional financial service providers primarily provide customer and loan matching services to traditional financial institutions, and minimize their credit risk exposure. To promote a healthy development of the inclusive SMB loan market, which mainly comprises loans with larger ticket size and longer tenor compared to consumer loans, regulators encourage market participants, including non-traditional financial service providers, to take on risk management roles jointly with traditional financial institutions. Thus, the co-lending and guarantee models, in which non-traditional financial service providers take on more credit risk themselves, are likely to be more prevalent in the next five years.

For SMBs in need of more accessible financing services, the diversified products and services provided by non-traditional financial service providers allow them to access more flexible financing products in terms of ticket size, loan tenor, and collateral. For financial institutions in need of innovative solutions to their long-standing challenges, the technological expertise of non-traditional financial service providers can help them expand customer reach, reduce their customer acquisition cost, improve their products and services with multi-dimensional customer data, and enhance their risk management capabilities. Therefore, non-traditional financial service providers are expected to gain more market share in the inclusive SMB loan market. As of the end of 2021, loans enabled by non-traditional financial service providers contributed 12.9% of the total inclusive SMB loan market, an increase from 7.8% in 2017. This ratio is expected to increase to 14.1% by the end of 2026.

Although the growth for loans enabled by non-traditional financial service providers is expected to be faster than the inclusive SMB loan market in the medium term, it is expected to experience a less aggressive

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growth from 2022 to 2023, as leading non-traditional financial service providers have proactively limited their new loan enablement as an initiative to control credit quality during the market downturn that has accompanied the COVID-19 pandemic. Some customers have also been attracted by offers from traditional banks, as banks are being encouraged by regulators to lower prime rates to extend unsecured loans to those SMBs that traditional banks are able to reach.

Going forward, SMBs are expected to experience strong recovery. The PRC government has provided a series of preferential policies and support measures to SMBs, including three months of rent reduction or exemption, promoting the clear-off of SMB accounts receivable, reducing or waiving taxes and fees, and delaying repayment of loans for SMBs affected by the epidemic, all of which have strengthened the confidence of SBOs in future operations. Overall, CIC expects that SMB operations will recover to pre-epidemic levels between 2024 and 2026, and the total number of SMBs is expected to reach 222.2 million in 2026, at a CAGR of 9.1% between 2021 and 2026.

COMPETITIVE LANDSCAPE ANALYSIS

Non-traditional financial service providers in the inclusive SMB loan market in China typically have the following features:

- Customer acquisition either offline-to-online or online channels
- Focus on serving customers in their parent companies' respective ecosystems and also providing lifestyle services, if they are backed by internet companies
- Application of both customer behavioral and financial data for risk pricing and credit assessment, but certain providers backed by internet companies have a higher reliance on the former

INDUSTRY OVERVIEW

Ranking

The inclusive SMB loan market in China is relatively concentrated, with the top five players, including MYbank, WeBank, Du Xiaoman Financial, JD Technology and our company, accounting for 67.7% of the total market. As of June 30, 2022, the Company ranked as the second largest player among non-traditional financial service providers in terms of outstanding balance of inclusive SMB loans, with a market share of 17.6%. The following table shows the ranking of the top five non-traditional financial service providers in China in terms of outstanding balance of inclusive SMB loans as of June 30, 2022:

**Ranking of the Top Five Non-traditional Financial Service Providers in China
by Outstanding Balance of Inclusive SMB Loans, as of June 30, 2022⁽⁶⁾**

Ranking	Company	Outstanding Balance of Inclusive SMB Loans (RMB Billion) ⁽¹⁾	Market share (%)
1	Company A ⁽²⁾	810.0	28.1%
2	The Company	505.9	17.6%
3	Company B ⁽³⁾	450.0	15.6%
4	Company C ⁽⁴⁾	140.0	4.9%
5	Company D ⁽⁵⁾	42.0	1.5%
Top Five		1,947.9	67.7%
Others		931.0	32.3%
Total		2,878.9	100.0%

Source: CIC Report

Notes:

1. Represents the outstanding balance of loans to SMBs including loans to SBOs, who are the owners of SMBs, and excludes loans to retail borrowers. Market share is measured by each company's outstanding balance of inclusive SMB loans, divided by the total outstanding balance of inclusive SMB loans enabled by non-traditional financial service providers. The data for the our competitors were primarily obtained through expert interviews conducted by CIC.
2. Company A is a leading digital bank which is not publicly listed on any stock exchange and its total asset was RMB425.8 billion as of December 31, 2021.
3. Company B is a leading digital bank which is not publicly listed on any stock exchange and its total asset was RMB438.7 billion as of December 31, 2021.
4. Company C is a leading Fintech company which is not publicly listed on any stock exchange and its total asset is not disclosed to the public.
5. Company D is a leading Fintech company which is not publicly listed on any stock exchange and its total asset is not disclosed to the public.
6. The information presented in this table is derived from the market research report prepared by CIC, which was commissioned by us. It is not feasible for the Company to obtain consent from industry peers to publicly disclose their names due to the competitive relationships between the Company and other market players. CIC obtained information on the market players by conducting its own analysis and conducting interviews with key industry experts and leading industry participants on a confidential basis.

INDUSTRY OVERVIEW

Challenges Faced by Our Competitors

Traditional financial institutions face a number of common challenges when providing inclusive SMB loans:

- **Limited SMB risk management expertise:** Many financial institutions may lack the required risk management capabilities to properly assess SBO risks. Additionally, they often have no access to borrowers' social data, such as location data, shared contact information and voiceprint data, which leads to difficulties in forming accurate customer portraits. Due to these two reasons, financial institutions cannot effectively price the risks of SBO loans unless collateral is pledged, which increases the approval time required and reduces the approval rate. As of 2021, 81.9% of inclusive SMB loans originated by banks were secured loans.
- **Information asymmetry:** Many traditional financial institutions continue to use conventional systems in the risk management process, which still require manual verification and a lengthy paperwork process. Therefore, they may face difficulties in effectively analyzing information and integrating the results in a holistic approach.
- **High customer acquisition costs:** Many traditional financial institutions are burdened by heightening marketing and customer acquisition costs attributable to their offline and siloed marketing channels. Because of their unfamiliarity with leveraging online traffic and data, many traditional financial institutions lack effective budgeting mechanisms, channels, and technology to accurately reach target groups and acquire customers.

Meanwhile, other non-traditional financial service providers face a different set of challenges when providing inclusive SMB loans:

- **Limited SBO customer reach.** Non-traditional financial service providers that achieve scale thanks to the backing of major internet companies usually focus on serving customers in their respective ecosystems. They have difficulty in reaching SBO customers outside of their own ecosystem, leading to limited insights and accumulation of multi-dimensional data on SBO customers. Furthermore, they generally have limited offline reach, as they often lack a sizeable offline sales force or effective marketing capabilities to increase customer engagement and achieve cross-sell and up-sell.
- **Lack of financial services background:** Non-traditional financial service providers backed by internet companies do not necessarily possess financial expertise in analyzing credit. They typically also rely heavily on social behavioral data rather than financial data for pricing and credit assessment, which is a handicap in providing loans with larger ticket sizes.
- **Inability to appropriately price the risks of SMB loans:** Most non-traditional financial service providers generally focus on providing small ticket-size and short-tenor loans. They often lack the risk management expertise to price the risks of longer tenor loans with larger ticket sizes which SMBs require, and thus it is challenging for them to provider outstanding customer experience with flexible product offerings in terms of ticket size, tenor and product type.

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Key success factors for achieving market share in the inclusive SMB loan market include:

- **Expertise in data collection, processing and analysis:** The ability to collect relevant financial and behavioral data from SMBs and efficiently process, analyze and convert them into meaningful customer insights are key to achieving an understanding of SMB demand for financing and to properly assessing their risk profiles for effective credit decisioning.
- **Risk management capability:** SMBs are dispersed across various industries and geographies and present a wide variety of different risk profiles given their diversified nature. Strong risk management and risk-analyzing capabilities are key to accurately pricing the risks of SMB loans.
- **Effective customer acquisition channel:** The customer acquisition costs for SBOs are typically high. SBOs often require customized and personalized service to meet the particular needs of their businesses. A large offline sales network can offer personalized experience and can be more effective at acquiring customers than pure online interactions.
- **Strong customer engagement:** While digital capabilities are critical for processing and analyzing data, it is equally important to maintain strong customer engagement to increase customer loyalty for other business opportunities, including non-credit related services and operational solutions. Companies that can meet the needs of SMBs in multiple areas can leverage those solutions and services to increase ongoing engagement.

ADDITIONAL FUTURE GROWTH OPPORTUNITIES

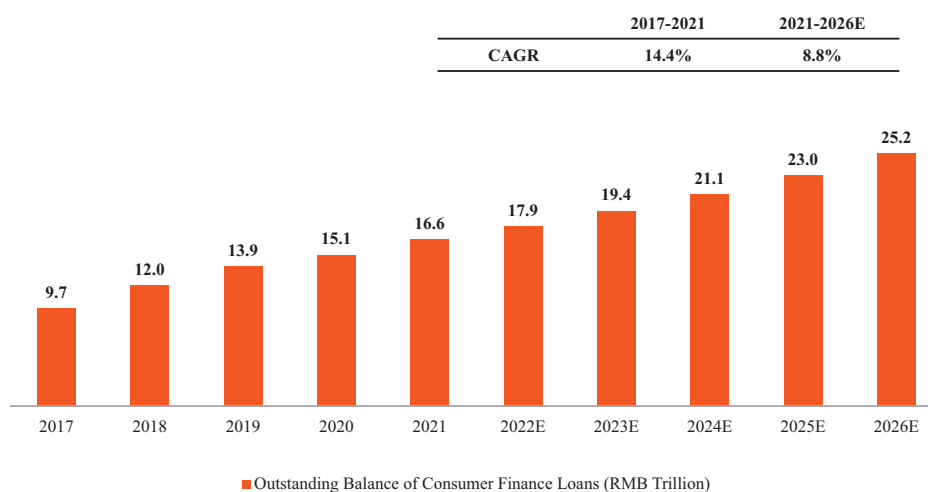
In addition to their demand for financing for their businesses, SBOs also demand other financial services such as consumer finance loans, and SMB insurance, as well as value-added operational services to facilitate their businesses, all of which present new potential for monetization.

Consumer Finance

Consumer finance loans refer to loans to individuals for the purpose of general consumption. This includes auto loans, credit cards and other consumer credit loans. Consumer finance loans are typically provided by traditional banks, consumer finance companies and auto finance companies. The total outstanding balance of consumer finance loans in China, excluding housing mortgage loans, grew from RMB9.7 trillion in 2017 to RMB16.6 trillion in 2021 at a CAGR of 14.4%, and it is expected to further grow to RMB25.2 trillion in 2026 at a CAGR of 8.8%. Growth in the consumer finance loan segment in China is mainly due to (i) the change in individual purchasing behavior which promotes the idea of “consumption in advance”, (ii) the development of the online consumer credit loan market, driven by the development of financial technologies and the popularity of e-commerce and mobile payment, and (iii) a favorable policy environment that encourages personal consumption to support the real economy.

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Market Size of Consumer Finance Loans in China, 2017–2026E



Source: CIC Report

Value-added Operational Services

Besides financial services, SBOs also demand value-added operational services to improve the operational performance of their businesses. SBO operational services refer to software or digital platform as-a-service that is designed to improve the SBO’s operating efficiency and to grow and expand its businesses. These generally include customer relationship management (“CRM”) software-as-a-service (“SaaS”), enterprise resource planning (“ERP”) SaaS, supply chain management (“SCM”) SaaS and financial management (“FM”) SaaS. Regulatory bodies have issued favorable policies and regulations in support of the digital transformation of SMBs. Continual technological innovation and digital transformation will increase both supply and demand of SaaS and other operational services. With the rapid development of e-commerce, the importance of customer relations management and other operational services will continue to increase. The combination of supportive policies and regulations, technological innovation, and the development of e-commerce and social media is expected to drive the demand by SBOs for a comprehensive suite of operational services to support their business growth. SBO operational services also create a synergetic effect to the financial ecosystem of non-traditional financial service providers, as these services increase the stickiness of customers and allow these providers to collect multi-dimensional customer behavior and financial data that may enhance their core systems and capabilities. The total market size of SBO operational services in China is RMB11.1 billion in 2021, of which 43.1% is the SBO CRM SaaS market, 37.0% is the SBO ERP SaaS market, 10.7% is the SBO FM SaaS market and 9.2% is the SBO SCM SaaS market. Driven by the rise of social media and the development of e-commerce industry, the SBO CRM SaaS market and SBO ERP SaaS market, both of which are the addressable markets the Company targets, will continue to constitute the majority of the total SBO operational services market, and the total market size is expected to increase to RMB40.7 billion in 2026, representing a CAGR of 29.8%.

SMB Insurance

As the SMB segment continues to grow, SBOs are also expected to allocate more resources to SMB-related insurance products to protect for the downside risk of their businesses and potential loss. These

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include property, general liability and work-related injury insurance, which are mainly recognized as non-life insurance. Growth in SMB-related insurance market has been witnessed in developed countries over the past few years. Taking Germany, the United States and the UK as examples, the overall size of insurance premiums from the SMB segment reached US\$25.5 billion, US\$117.2 billion and US\$10.9 billion in 2021, representing CAGRs of approximately 13.3%, 5.8% and 3.3% from 2017 to 2021, outpacing the growth of the overall industry at 3.4%, 5.0% and 0.3%, respectively. The contribution of premiums from the SMB segment to total insurance premiums in Germany, the United States and the UK also grew from approximately 6.9%, 7.0% and 2.4% in 2017 to over 10.0%, 7.2% and 2.7% in 2021, respectively. As the SMB segment continues to grow in China, it is anticipated that the growth of the SMB insurance market will also pick up accordingly, due to the demand for protection from the SBOs for their businesses.

SOURCES OF INFORMATION

We commissioned China Insights Industry Consultancy Limited (CIC), an independent market research consulting firm that is principally engaged in the provision of market research consultancy services, to conduct a detailed study of the SMB financial services markets in China.

During the preparation of the CIC Report, CIC performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights on the industry trends of the SMB financial services markets in China. Primary research involved discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports, and available data based on CIC's own research database.

The CIC Report was compiled and the expected growth in China's SMB financial services market was estimated based on the following assumptions and factors: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period, (ii) the Chinese economy is expected to grow steadily during the forecast period, and (iii) there will be no extreme unforeseen events, including regulations and government policies, which may materially affect the market during the forecast period. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumptions and factors. For the avoidance of doubt, impacts of the COVID-19 outbreak have been taken into account when compiling information in the CIC Report.

CIC is an independent market research and consulting firm. We have agreed to pay a fee of RMB880,000 to CIC in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business" and "Financial Information" to provide our potential investors with a more comprehensive presentation of the industries where we operate.

REGULATORY OVERVIEW

We operate in an increasingly complex legal and regulatory environment. We are subject to a variety of PRC and foreign laws, rules and regulations across numerous aspects of our business. This section sets forth a summary of the principal PRC laws, judicial interpretations, rules and regulations relevant to our business and operations in the PRC.

Regulations Relating to Foreign Investment

The establishment, operation and management of corporate entities in the PRC, including foreign-invested companies, are subject to the Company Law (《中華人民共和國公司法》), which was issued by the Standing Committee of the National People's Congress and was last amended on October 26, 2018. Unless otherwise provided in the PRC's foreign investment laws, the provisions of the Company Law shall prevail.

Investments in the PRC by foreign investors and foreign-invested enterprises are regulated by the Catalog of Industries in which Foreign Investment is Encouraged (2022 edition) (《鼓勵外商投資產業目錄(2022年版)》) and the Special Administrative Measures for Foreign Investment Access (Negative List 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the 2021 Negative List. The establishment of wholly foreign-owned enterprises is generally allowed in industries not included in the 2021 Negative List. Industries not listed in the 2021 Negative List are generally open to foreign investments unless specifically restricted by other applicable Chinese regulations. Under the 2021 Negative List, foreign equity in companies providing value-added telecommunications services, excluding e-commerce, domestic multi-party communications, data collection and transmission services, and call centers, should not exceed 50%.

The establishment procedures, filing and approval procedures, registered capital requirements, foreign exchange restrictions, accounting practices, taxation, and labor matters of a wholly foreign-owned enterprise are governed by the Foreign Investment Law (《中華人民共和國外商投資法》), which took effect on January 1, 2020. It replaced most laws and regulations previously governing foreign investment in the PRC. The Company Law and the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》) generally govern the organization of a foreign invested enterprise.

The Foreign Investment Law mainly stipulates four forms of foreign investments: (a) a foreign investor, individually or collectively with other investors, establishes a foreign-invested enterprise within the PRC; (b) a foreign investor acquires stock shares, equity shares, interests in assets, or other like rights and interests of an enterprise within the PRC; (c) a foreign investor, individually or collectively with other investors, invests in a new project within the PRC; and (d) foreign investors invest in the PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council. It does not mention the relevant concept and regulatory regime of consolidated affiliated entities structures and uncertainties still exist with regards to its interpretation and implementation.

Under the Foreign Investment Law, foreign investment is accorded pre-admission national treatment, which means that treatment given to foreign investors and their investments shall not be less favorable than those given to domestic investors and their investments, except where a foreign investment falls under the 2021 Negative List. It also provides several protective rules and principles for foreign investors and their investments in the PRC, including foreign investors' funds being freely transferred out and into the territory of the PRC

REGULATORY OVERVIEW

through the entire life cycle from the entry to the exit of foreign investment, a comprehensive system to guarantee fair competition among foreign-invested enterprises and domestic enterprises to be established, and prohibition of the state to expropriate any foreign investment except under special circumstances.

In addition, the Foreign Investment Law subjects foreign investors and foreign-invested enterprises to legal liabilities for failing to report their investment information in accordance with the requirements of an information reporting system to be established. It also provides that foreign invested enterprises established according to the previous laws regulating foreign investment before the Foreign Investment Law came into effect may maintain their structure and corporate governance within five years after the implementation of the Foreign Investment Law. This means that foreign invested enterprises may be required to adjust their structure and corporate governance in accordance with the PRC Company Law and other laws and regulations governing the corporate governance.

On December 26, 2019, the State Council promulgated the Implementation Regulations for the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), effective January 1, 2020. The Implementation Regulations for the Foreign Investment Law emphasizes the promotion of foreign investment, refined specific measures, and also replaced various previous laws and regulations. On December 26, 2019, the Supreme People's Court issued an Interpretation on Several Issues Concerning the Application of the Foreign Investment law of the PRC (《關於適用〈中華人民共和國外商投資法〉若干問題的解釋》), which also came into effect on January 1, 2020. The interpretation applies to any contractual dispute arising from the acquisition of relevant rights and interests by a foreign investor through gift, division of property, merger of enterprises, division of enterprises, etc. On December 30, 2019, the Ministry of Commerce and the State Administration for Market Regulation jointly issued the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which replaced the existing filing and approval procedures regarding the establishment and change of foreign-invested companies. On December 31, 2019, the Ministry of Commerce issued the Announcement on Matters Relating to Foreign Investment Information Reporting (《商務部關於外商投資信息報告有關事項的公告》) which emphasized the information reporting requirements provided by the Measures on Reporting of Foreign Investment Information, and stipulated the forms for information reporting.

On December 19, 2020, the National Development and Reform Commission and the Ministry of Commerce jointly issued the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective January 18, 2021. The measures stipulate rules for foreign investment that is subject to security review. According to the measures, procedures will be established for organizing, coordinating, and guiding the security review of foreign investments, and the office in charge of the security review will be set up under the National Development and Reform Commission, and led by the National Development and Reform Commission and the Ministry of Commerce. Furthermore, the measures provide that if foreign investors or relevant parties in China intend to invest in crucial information technology and internet products and services, in crucial financial services or in other crucial fields which relate to national security, and to obtain the actual control over the enterprises they invested in, they shall apply to the office in advance for a security review.

REGULATORY OVERVIEW

Regulations Relating to Value-Added Telecommunication Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》), which were issued by the State Council in 2000 and last amended on February 6, 2016, provide the general framework for the provision of telecommunication services by PRC companies. It requires a telecommunication service provider in China to obtain an operating license from the Ministry of Industry and Information Technology or its provincial branch prior to commencement of operations.

The Telecommunications Regulations of the PRC categorize telecommunication services in China as either basic telecommunications services or value-added telecommunications services. According to the Classification Catalog of Telecommunications Business (《電信業務分類目錄》), attached to the Telecommunications Regulations and issued by the Ministry of Industry and Information Technology in 2015 and last amended on June 6, 2019, online data processing, transaction processing and information services provided via fixed network, mobile network and internet are value-added telecommunication services.

On July 3, 2017, the Ministry of Industry and Information Technology issued the Administrative Measures for Telecommunications Business Operating Permit (《電信業務經營許可管理辦法》), which took effect on September 1, 2017. The measures set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining the licenses and the administration and supervision of these licenses. Operators are required to submit an application within the prescribed period to the original permit-issuing authority with respect to changes in the business scope or the operating entity resulting from shareholder changes or the merger and division of the company as prescribed under relevant regulations.

Regulations on Foreign Investment in Value-Added Telecommunications

Foreign direct investment in telecommunications companies in China is governed by the Administrative Rules on Foreign-invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which were issued by the State Council in 2001. It provides that a foreign investor's beneficial equity ownership in an entity providing value-added telecommunications services in China shall not exceed 50%. However, the 2021 Negative List provides that foreign investors may hold 100% equity interest in e-commerce, domestic multi-party communications, data collection and transmission services and call centers. Further, on March 29, 2022, the State Council issued the Decision of the State Council to Amend and Repeal Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》), effective May 1, 2022, which amended the Administrative Rules on Foreign-invested Telecommunications Enterprises issued in 2001. According to the currently effective rules, foreign investors who are involved in a business providing value-added telecommunications will be no longer subject to the requirement to demonstrate a good track record and experience in providing the services. In addition, the amended rules simplify the application process for telecommunication business operation permits and shorten the review period.

The Ministry of Industry and Information Technology's Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《信息產業部關於加

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強外商投資經營增值電信業務管理的通知》), issued on July 13, 2006, requires foreign investors to set up foreign-invested enterprises and obtain a license for value-added telecommunications services. It prohibits domestic companies holding value-added telecommunications services licenses from leasing, transferring or selling their licenses in any form, or providing any resource, sites or facilities, to any foreign investors intending to conduct this type of business in China. In addition to restricting dealings with foreign investors, it contains a number of detailed requirements applicable to operators of value-added telecommunications services, including that operators or their shareholders must legally own the domain names and trademarks used in their daily operations and each operator must possess the necessary facilities for its approved business operations and maintain its facilities in the regions covered by its license. The Ministry of Industry and Information Technology or its provincial counterpart has the power to require corrective actions after discovering any non-compliance by operators, and where operators fail to take those steps, the Ministry of Industry and Information Technology or its provincial counterpart can revoke the value-added telecommunications services license.

Regulations on Internet Information Services

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), which were issued by the State Council in 2000 and amended on January 8, 2011, set out guidelines on the provision of internet information services. Pursuant to these measures, “internet information services” are defined as services that provide information to online users through the internet. These measures require internet information services operators to obtain an ICP license from the relevant government authorities before engaging in any commercial internet information services operations in China. Internet information services operators operating non-commercial internet information services are required to complete the relevant filing procedures.

In addition, internet information service providers are required to monitor their websites to ensure that they do not contain content prohibited by law or regulation. The PRC government may require corrective actions to address non-compliance by ICP license holders or revoke their ICP license for serious violations. Furthermore, the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), effective January 1, 2018, requires internet information service providers to register and own the domain names they use in providing internet information services. Each of Shenzhen Lufax Internet Information Service Co., Ltd (深圳市陸金互聯網信息服務有限公司) and Chongqing Financial Assets Exchange Limited (重慶金融資產交易所有限責任公司), a subsidiary of the consolidated affiliated entities, currently holds a ICP license.

Regulations on Mobile Internet Application Information Services

On June 28, 2016, the Cyberspace Administration of China issued the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程式信息服務管理規定》), which was amended on June 14, 2022 and became effective on August 1, 2022. The amended provisions clarify the requirements in relation to the provision of application information services and application distribution services in China. The amended provisions also outline the requirements for application providers, which include, among others, (i) verifying user identity information; (ii) obtaining an internet news and

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information services license or other administrative licenses for information services; and (iii) establishing a mechanism for examining the content of the information. In particular, the amended provisions stipulate the obligations in relation to cyber security, data security and personal information protection, emphasizing the necessity for personal information collection and the fact that users shall not be denied the use of the basic function services of certain applications merely on account of their refusal to provide unnecessary personal information. The amended provisions also set out the requirements for application distribution platforms, which include, among others, (i) filing the required information with the local network information administration authority within 30 days from the time the platform has become operational; and (ii) establishing classification management systems. If the applications violate the amended provisions, relevant laws and regulations, and service agreements, the application distribution platform shall take such measures as giving warnings, suspension of services, removal of the application from the platform, etc. It shall also keep relevant records and report the breach to competent authorities.

Under the Interim Provisions on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (《移動智能終端應用軟件預置和分發管理暫行規定》), which took effect on July 1, 2017, the internet information service provider is also required to ensure that an app, as well as its ancillary resource files, configuration files and user data, can be conveniently uninstalled by its users, unless it is a basic function software (i.e., software that supports the normal functioning of hardware and operating system of a mobile smart device).

The Ministry of Industry and Information Technology issued the Notice on the Further Special Rectification of Apps Infringing upon Users' Personal Rights and Interests (《關於開展縱深推進APP侵害用戶權益專項整治行動的通知》), or the Further Rectification Notice, on July 22, 2020. The notice requires that certain conducts of app service providers should be inspected, including, among others (i) collecting personal information without the user's consent, collecting or using personal information beyond the necessary scope of providing services, and forcing users to receive advertisements; (ii) requesting user's permission in a compulsory and frequent manner, or frequently launching third-parties apps; and (iii) deceiving and misleading users into downloading apps or providing personal information. The notice also set forth that the period for the regulatory specific inspection on apps and that the Ministry of Industry and Information Technology will order the non-compliant entities to modify their business within five business days, or otherwise to make public announcement to remove the apps from the app stores and impose other administrative penalties.

Regulations Relating to Retail Credit Enablement

Regulations on Loans

The PRC Civil Code (《中華人民共和國民法典》), which was adopted effective January 1, 2021, requires that the interest rates charged under a loan agreement must not violate applicable provisions of the PRC laws and regulations. The Civil Code also provides that the interest shall not be deducted from the principal of the loan in advance, and if the interest is deducted from the principal in advance, the loan shall be repaid and the interest shall be calculated based on the actual loan amount.

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The Interim Measures for the Administration of Private Loans (《個人貸款管理暫行辦法》), which were issued by the China Banking Regulatory Commission on February 12, 2010, provide that lenders shall not issue private loans without specified purposes. In addition, lenders shall only entrust certain part of loan investigation to qualified third-party companies and shall not entrust the whole process of loan investigation to third-party companies.

The Provisions on Several Issues Concerning Laws Applicable to Trials of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) issued by the Supreme People's Court in August 2015, provided that agreements between lenders and borrowers on loans with interest rates no higher than 24% per annum are valid and enforceable. As to the loans with interest rates per annum between 24% (exclusive) and 36% (inclusive), if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower's request to demand the return of the excess interest payment. If the annual interest rate of a private loan is higher than 36%, the agreement on the excess part of the interest is invalid, and if the borrower requests the lender to return the part of interest exceeding 36% of the annual interest that has been paid, the courts will support such requests. In addition, on August 4, 2017, the Supreme People's Court issued the Several Opinions on Further Strengthening the Judicial Work in the Finance Sector (《最高人民法院關於進一步加強金融審判工作的若干意見》), which provided that (i) if the total amount of interest, compounded interest, default interest and other fees charged by a lender under a loan contract substantially exceeds the actual loss of such lender, the request by the debtor under such loan contract to reduce or to adjust the part of the aforementioned fees exceeding the amount accrued at an annual rate of 24% will be upheld; and (ii) in the context of peer-to-peer lending disputes, if the online lending information intermediaries and lenders circumvent the statutory limit of the interest rate by charging intermediary fees, such fees shall be deemed invalid.

On July 22, 2020, the Supreme People's Court and the National Development and Reform Commission jointly released the Opinions on Providing Judicial Services and Safeguards for Accelerating the Improvement of the Socialist Market Economic System for the New Era (《關於為新時代加快完善社會主義市場經濟體制提供司法服務和保障的意見》). The Opinions set out that if the interest and fees, including compound interest, penalty interest and liquid damages, claimed by one party to the loan contract exceed the upper limit under judicial protection, the claim will not be supported by the court, and if the parties to the loan disguise the financing cost in an attempt to circumvent the upper limit, the rights and obligations of all parties to the loan will be determined by the actual loan relationship.

The Supreme People's Court amended the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) on August 20, 2020, and then again on January 1, 2021. Under these amendments, if the service fees or other fees that we charge are deemed to be loan interest or fees related to loans (inclusive of any default rate and default penalty and any other fee), then in the event that the sum of the annualized interest that lenders charge and fees we and our business partners charge exceed four times the one-year Loan Prime Rate at the time of the establishment of the agreement, the borrower may refuse to pay the portion that exceeds the limit. In that case, PRC courts will not uphold our request to demand the payment of fees that exceed the limit from the borrower. If the borrower has already paid the fees that exceed the limit, the

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borrower may request that we refund the portion exceeding the limit and the PRC courts may uphold such requests. The aforementioned one-year Loan Prime Rate refers to the one-year loan market quoted interest rate issued by the National Bank Interbank Funding Center. These new limits replace the upper limits on interest rates of 24% and 36% described above. Moreover, if the lender and the borrower agree on both the overdue interest rate and the liquidated damages or other fees, the lender may choose to claim any or all of them, but the portion of the total exceeding the limit shall not be supported by the people's court. The new limits apply to new first-instance cases of private lending disputes accepted by the people's court after August 20, 2020. As to the cases in which the loan contract was established before August 20, 2020, if the lender requests that the court apply the old limits of 24% and 36% for calculating the loan interest accrued from the establishment of the loan contracts up to August 19, 2020, such request will be supported by the court, but the loan interest accrued from August 20, 2020 to the date of the loan repayment shall be calculated by applying the new limit of four times the one-year Loan Prime Rate at the time of the filing of the lawsuit. On December 29, 2020, the Supreme People's Court also issued the Reply Regarding the Scope of Application of the New Private Lending Judicial Interpretation (《最高人民法院關於新民間借貸司法解釋適用範圍問題的批復》), which provides that the two amendments are not applicable to disputes arising from the relevant financial business of microloan companies, financing guarantee companies, and five other types of local financial organizations which are regulated by local financial authorities.

The Notice on Regulating and Cleaning up the Cash Loan Business (《關於規範整頓「現金貸」業務的通知》), or Circular 141, introduces the regulation guidance on cash loan businesses, including online micro-lending companies, peer-to-peer lending platforms and banking financial institutions. According to Circular 141, activities relating to offerings of cash loans are subject to regulatory inspections and rectifications to prohibit excessive lending and repeated grant of credits to individual borrowers, collection of abnormally high interest rates, and violations against privacy protection. Circular 141 provides further requirements regarding banking financial institution's participation in cash loan businesses, including the qualifications of the third party institutions cooperating with banking financial institutions, each party's responsibilities in the cooperation and the fee charging arrangement. Circular 141 also provides that institutions or third-party agencies shall not conduct loan collection by means of violence, intimidation, insult, defamation, harassment or other illegal methods. In case of violation, the relevant authorities, depending on the severity of the circumstances, may suspend such entity's business, order rectification, reprimand such entity, reject its filing procedures, or terminate its business qualification. In addition, the relevant authority may order any website or platform operator to suspend its business, if such website or platform operator helped the entity to conduct business in violation of laws or regulations.

The Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Public Security and the Ministry of Justice jointly issued the Notice on Promulgating the Opinions on Several Issues concerning the Handling of Criminal Cases of Illegal Lending (《關於辦理非法放貸刑事案件若干問題的意見》) on July 23, 2019, which came into effect on October 21, 2019. It clarifies the standards for the determination of whether the illegal lending activity constitutes the crime of illegal business operations. It provides that it will be convicted of the crime of illegal business operations and punished in accordance with Item 4 of Article 225 of the Criminal Law (《中華人民共和國刑法》), if it meets all of the following criteria: (i) without the approval of the regulatory authorities or beyond the business scope, for the purpose of making profits, frequently granting loans to non-specific objects of the society which disturbs the order of the financial market, (ii) having been deemed as a "serious circumstance." "Frequently granting loans to

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non-specific objects of the society” shall refer to lending to non-specific several persons (including entities and individuals) in the name of loans or in any other name for more than 10 times within two years. If the repayment period is extended after the maturity of the loan, the number of times the loan is granted shall be counted as once.

On July 12, 2020, the Interim Measures for the Administration of Online Loans by Commercial Banks (《商業銀行互聯網貸款管理暫行辦法》) came into effect. While they apply to commercial banks and by analogy to consumer finance companies and auto finance companies directly, they also require them to strengthen loan cooperation management, which would affect the institutions cooperating with them to develop internet loan businesses, and their existing business models. Pursuant to these interim measures, commercial banks shall evaluate their cooperation agencies and implement list management. Commercial banks shall not accept direct and disguised credit enhancement services from unqualified cooperation agencies. The interim measures also provide that, except for cooperating institutions that jointly provide loans, commercial banks shall not entrust the cooperating institutions to perform key operations, such as loan issuance, loan principal and interest recovery, and stopping of loan payment. Pursuant to the interim measures, commercial banks shall independently carry out risk assessment and credit approval for the loans they fund, and take primary responsibility for post-loan management. Commercial banks shall not entrust third-party institutions with records of violent collection or other illegal records to collect loans. The China Banking and Insurance Regulatory Commission and its local branches shall evaluate the reports and relevant materials submitted by commercial banks, and key assessment factors include independent control of credit approval procedures, contract signing and other core risk management procedures of commercial banks.

On February 19, 2021, the China Banking and Insurance Regulatory Commission further issued the Notice of Further Regulating Online Loan Business of Commercial Banks (《關於進一步規範商業銀行互聯網貸款業務的通知》), also known as Circular 24, supplementary to the Interim Measures for the Administration of Online Loans by Commercial Banks. Circular 24 reiterates that the commercial banks shall independently carry out the risk management of online loans and are forbidden from outsourcing the key procedures of loan management. In addition, the Circular 24 provides that, when a commercial bank and its joint lending partner jointly contribute funds to issue online loans (“joint lending”), the funding contribution percentage of its joint lending partner shall not be less than 30%; a bank’s proprietary loan balance under the joint lending partnership with a single partner should be no higher than 25% of its net tier-1 capital, and its proprietary loan balance under the joint lending partnership with all partners should not exceed 50% of its total outstanding loans. Moreover, regional commercial banks are prohibited from engaging in an online loan business outside the region of their registration (“**cross-regional operations**”). In addition, under Circular 24, the China Banking and Insurance Regulatory Commission and its local offices shall, under the principle of “one policy for one bank and smooth transition”, urge commercial banks to rectify their non-compliant online loan business. The China Banking and Insurance Regulatory Commission and its local offices may, at their discretion, impose more stringent regulatory requirements for the fund contribution percentage of joint lending partners, concentration level of joint-lending partners and total amount limit of online loans under the joint-lending model on the basis of the provisions captioned beforehand under Circular 24. Finally, it is also provided that Circular 24 will also apply by analogy to branches of foreign banks, trusts, consumer finance companies and auto finance companies. Circular 24 clarified that the requirements

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on the fund contribution percentage of a joint lending partner and the restraints for regional commercial banks from cross-regional operations to enact from January 1, 2022. Any legacy businesses shall be settled naturally.

On July 12, 2022, the China Banking and Insurance Regulatory Commission issued the Notice of Strengthening the Administration of the Internet Loan Business of Commercial Banks and Improving the Quality and Efficiency of Financial Services (《關於加強商業銀行互聯網貸款業務管理提升金融服務質效的通知》), which further requires commercial banks to strengthen their risk control and regulate the cooperation with third-party institutions in online loan business, including: (i) commercial banks shall enter into separate cooperation agreements in respect of joint capital contribution, information technology cooperation and other business cooperation, respectively, for clarifying rights and responsibilities of each party; (ii) commercial banks shall fulfill the primary responsibility in respect of loan administration. If internet loans involve cooperation with cooperative institutions in, for example, marketing, payment and settlement, and information technology, commercial banks shall strengthen the management of core risk control links, and shall not lower risk control standards due to business cooperation; (iii) commercial banks shall strengthen information and data management, and the written agreements signed by a commercial bank with a cooperative institution shall clearly specify the specific requirements for submission of relevant information. This notice provides a transitional period for the existing online loan business of commercial banks until June 30, 2023. These rules also apply to branches of foreign banks, trusts, consumer finance companies and auto finance companies.

Regulations on Financing Guarantee Companies

The Tentative Measures for the Administration of Financing Guarantee Companies (《融資性擔保公司管理暫行辦法》) were jointly promulgated by the China Banking Regulatory Commission, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China, and the State Administration for Market Regulation on March 8, 2010, which stipulates the registered capital, business scope, operating rules, risk control and supervision of financing guarantee companies, and also require that (i) the outstanding balance of financing guarantee liabilities of a financing guarantee company shall not exceed 10 times of that company's net assets, though the upper limit can be raised to 15 times for a financing guarantee company that mainly provides services to small and micro enterprises, the agriculture sector, rural villages and farmers, (ii) the balance amount of outstanding guarantee liabilities of a financing guarantee company for a single guaranteed party shall not exceed 10% of that company's net assets, and (iii) the balance amount of outstanding guarantee liabilities of a financing guarantee company for a single guaranteed party and its affiliated parties shall not exceed 15% of that company's net assets. On November 25, 2010, China Banking Regulatory Commission issued the Notice on Issuing the Guidelines for the Corporate Governance of Financing Guarantee Companies (《融資性擔保公司公司治理指引》), which was the basis for the Supervision and evaluation of the corporate governance of financing guarantee companies. According to the Notice, the directors, supervisors and senior managers of financing guarantee companies shall have the risk awareness of prudent operation, corresponding business skills and practical experiences. The State Council released the Regulation on Financing Guarantee Companies (《融資擔保公司監督管理條例》), effective October 1, 2017, to further clarify various regulatory indicators. "Financing guarantee" shall refer to the

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activities where a guarantor provides a guarantee for debt financing such as borrowings or debentures of a debtor. The regulatory authorities determined by the provincial level of governments shall be responsible for the supervision and administration of financing guarantee companies of its region. The establishment of a financing guarantee company shall be subject to the approval of the regulatory department and certain conditions. According to such regulation, any entity without a qualified license to engage in the financing guarantee business will be ordered to suspend its operations and be subject to a fine between RMB0.5 million and RMB1.0 million, and its relevant illegal income will be confiscated accordingly. In addition, if the outstanding balance of financing guarantee liabilities of the financing guarantee company does not meet the requirements pursuant to the aforementioned rules, it will be ordered to make timely rectification. If the company fails to make rectification in a timely manner, a fine of between RMB100,000 and RMB500,000 will be imposed, and the illegal income will be confiscated. Such a company may be ordered to suspend its business for rectification, and, under serious circumstances, its license for financing guarantee business may be revoked.

The Notice on Issuing Four Supporting Systems for the Regulations on the Supervision and Administration of Financing Guarantee Companies (《關於印發<融資擔保公司監督管理條例>四項配套制度的通知》), or the Four Supporting Systems, was jointly promulgated by the China Banking and Insurance Regulatory Commission, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Agriculture and Rural Affairs, the People's Bank of China and the State Administration for Market Regulation on April 2, 2018 and amended on June 21, 2021, which includes the Administrative Measures on Financing Guarantee Business Permits (《融資擔保業務經營許可證管理辦法》), the Measures on the Measurement of the Balance of Financing Guarantee Liability (《融資擔保責任餘額計量辦法》), the Administrative Measures on the Asset Proportions of Financing Guarantee Companies (《融資擔保公司資產比例管理辦法》) and the Guidelines for Business Cooperation between Banking Financial Institutions and Financing Guarantee Companies (《銀行業金融機構與融資擔保公司業務合作指引》). The Administrative Measures on Financing Guarantee Business Permits clarify the definition of the operating license of financing guarantee business, the conditions and procedures for the issuance, renewal, revocation or cancelation of the operating license of financing guarantee business, and the information to be specified and recorded on the license. The Measures on the Measurement of the Balance of Financing Guarantee Liability provide the definition of the balance of financing guarantee liability and certain upper limits for the scale of loan guarantee business or the balance of financing guarantee liabilities for the relevant financing guarantee company. The Administration Measures on the Asset Proportions of Financing Guarantee Companies categorize the main assets of financing guarantee companies into three levels and set up specific requirements for each level. Among other things, the sum of the Level I and Level II financial assets of a financing guarantee company is required to be no less than 70% of such financing guarantee company's total assets less qualified receivables. The ratio for Ping An Puhui Financing Guarantee Co., Ltd was 73.7% as of December 31, 2022. The Guidelines for Business Cooperation between Banking Financial Institutions and Financing Guarantee Companies require that, neither the bank nor the guarantee company may collect any fees, other than the fees as stated in the cooperation agreement or the guarantee contract, for any reason or in any form during their cooperation. Furthermore, banks and guarantee companies may separately accept clients' applications and recommend clients to each other.

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On October 9, 2019, the Notice on the Promulgation of Supplementary Provisions on the Supervision and Administration of Financing Guarantee Companies (《關於印發融資擔保公司監督管理補充規定的通知》) was jointly promulgated by the China Banking and Insurance Regulatory Commission, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China, the Ministry of Housing and Urban-Rural Development, the Ministry of Agriculture and Rural Affairs, and the State Administration for Market Regulation, which was amended on June 21, 2021. This notice requires that all local regulatory authorities shall conduct a comprehensive investigation to supervise if the entities engaging in financing guarantee businesses have been licensed or not. For companies engaging in financing guarantee business without the financing guarantee business operation license, the relevant authority may order them to close down the relevant financing guarantee business.

On July 14, 2020, the Guidelines for Off-site Supervision of Financing Guarantee Companies (《融資擔保公司非現場監管規程》) was issued by the China Banking and Insurance Regulatory Commission, effective on September 1, 2020, which provide the guidelines for the competent regulatory authorities to continuously analyze and evaluate the risk of financing guarantee companies and the financing guarantee industry, by way of collecting report data and other internal and external data of the financing guarantee companies and carrying out corresponding measures.

On December 31, 2021, the People's Bank of China published the Regulations on the Local Financial Supervision and Administration (Draft for Comments) (《地方金融監督管理條例(草案徵求意見稿)》), which requires that, among others, (i) six types of financial organizations, including financing guarantee companies, are deemed as local financial organizations, and the incorporation of local financial organizations should be approved by the competent provincial regulatory authorities before they apply for the business licenses, (ii) local financial organizations are required to operate their business within the area approved by the competent provincial regulatory authorities and are not allowed to conduct business across provinces in principle, and (iii) the rules for cross-province business carried out by local financial organizations should be formulated by the State Council or by the financial regulatory department of the State Council as authorized by the State Council. The financial regulatory department of the State Council will specify a transition period for local financial organizations that have carried out businesses across provinces to maintain compliance. Notwithstanding the foregoing, pursuant to the currently effective Regulations on Financing Guarantee Companies (《融資擔保公司監督管理條例》), a financing guarantee company may establish a branch to conduct financing guarantee business outside the province where it is domiciled with a prior approval from the regulatory department where the branch is located.

Ping An Puhui Financing Guarantee Co., Ltd. (平安普惠融資擔保有限公司), one of our subsidiaries registered in Jiangsu Province, holds a financing guarantee business permit issued by Jiangsu Provincial Bureau of Local Financial Supervision and Administration in May 2022 and has been approved by Jiangsu Provincial Bureau of Local Financial Supervision and Administration in October 2022 to absorb our financing guarantee subsidiary in Tianjin City, Pingan Financing Guarantee (Tianjin) Co., Ltd. (平安融資擔保(天津)有限公司). As of the Latest Practicable Date, the above absorption has been completed. We previously controlled two financing guarantee companies. During self-examination in the "429 Rectification", in accordance with the regulatory principles, we decided to cancel the financing guarantee

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license held by Pingan Financing Guarantee (Tianjin) and complete the deregistration of Pingan Financing Guarantee (Tianjin) to centralize management for license and optimize our organizational structure and management efficiency. To accelerate the plan mentioned above and at the same time to settle the existing business of Pingan Financing Guarantee (Tianjin) prudently, after consultation with our PRC Legal Adviser, we chose to have the other financing guarantee subsidiary Ping An Puhui Financing Guarantee Co., Ltd. (“**Puhui Financing Guarantee**”) to merge with Pingan Financing Guarantee (Tianjin) by absorption. Upon the completion of the absorption merger, which is a form of mergers under the PRC Company Law, Pingan Financing Guarantee (Tianjin) was deregistered and all of the credits and debts of Pingan Financing Guarantee (Tianjin) have been succeeded by Puhui Financing Guarantee legally.

During the absorption process, the existing financing guarantee business of Pingan Financing Guarantee (Tianjin) has been succeeded by the Tianjin branch of Puhui Financing Guarantee, which does not involve any re-execution or cancelation of contracts with customers. Such succession arrangement has also been approved by the relevant regulatory authorities. Specifically, the absorption has been approved by Jiangsu Provincial Bureau of Local Financial Supervision and Administration in October 2022, and Tianjin Municipal Bureau of Local Financial Supervision and Administration has announced the withdrawal of Ping An Financing Guarantee (Tianjin) Co., Ltd from the financing guarantee industry on December 21, 2022.

Pingan Financing Guarantee (Tianjin) has ceased to develop new business since the end of 2021. Subsequently, we conduct financing guarantee business all through Puhui Financing Guarantee and/or its branches. As of the Latest Practicable Date, the above absorption has been completed.

As advised by our PRC Legal Adviser, the above absorption has been approved by the competent authorities, and the relevant existing business has been directly succeeded by the surviving company, which is also a licensed financing company and qualified to operate the existing business. Based on the above, our directors are of the view that the absorption has no material actual or potential impact on our business operations.

Regulations on Credit Guarantee Insurance

The Interim Measures for Regulating the Credit Guarantee Insurance (《信用保證保險業務監管暫行辦法》) were issued by the China Insurance Regulatory Commission, one of the predecessors of the China Banking and Insurance Regulatory Commission, on July 11, 2017 to regulate the business operations of credit guarantee insurance. It was repealed by the Measures for Regulating the Credit Insurance and Guaranty Insurance (《信用保險和保證保險業務監管辦法》) issued by the China Banking and Insurance Regulatory Commission on May 8, 2020. Pursuant to these measures, “financial credit guarantee business” refers to the credit guarantee business in which insurance companies provide insurance protection for the performance of credit risks of financing contracts such as borrowing and financing leases. Insurance companies shall not outsource credit risk review and credit management businesses to third-party partners, and shall not underwrite financial credit guarantee business in which the interest rates of loans exceed the regulatory upper limit. Insurance companies shall strengthen the supervision and management of the operation activities of cooperative institutions, head offices shall formulate a unified template for cooperation agreements to clarify the rights and obligations of both parties, and insurance companies shall

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make clear requirements in terms of access, evaluation, withdrawal, and complaints according to the characteristics and risks of different cooperative institutions. The Notice of the General Office of China Banking and Insurance Regulatory Commission on Relevant Issues Concerning Further Strengthening and Improving the Product Supervision of Property Insurance Companies (《中國銀保監會辦公廳關於進一步加強和改進財產保險公司產品監管有關問題的通知》), effective from March 1, 2020, stipulates that the credit insurance and guarantee insurance products over one year are required to complete the record-filing instead of the approval procedure.

On September 14, 2020, the China Banking and Insurance Regulatory Commission issued the Notice of Guidelines for Pre-guarantee Management and Post-guarantee Management of Financing Credit Insurance Business (《關於印發融資性信保業務保前管理和保後管理操作指引的通知》), which provides that insurance companies shall conduct risk supervision on cooperative institutions when they engage in a credit insurance marketing business through such cooperative institutions. If cooperative institutions induce the borrowers to change the purpose of loans, conceal the use of capital, guide customers to make malicious complaints, or conduct false promotion for expanding insurance liability, the insurance companies shall promptly impose punishment measures on such cooperative institutions according to their cooperative agreements and the requirements under the cooperative management system.

Regulations Relating to Consumer Finance Companies

The Administrative Measures for the Pilot Scheme of Consumer Finance Companies (《消費金融公司試點管理辦法》), issued by the China Banking Regulatory Commission in 2013 and effective on January 1, 2014, stipulates the conditions for the investor of the consumer finance company, its business scope, and operating rules. The Measures for the Implementation of Administrative Licensing Matters for Non-Banking Financial Institutions (《非銀行金融機構行政許可事項實施辦法》), issued in 2015 and was amended on March 23, 2020, further stipulates the establishment of shareholder qualifications and other matters.

With the approval of the China Banking and Insurance Regulatory Commission, which is the successor to the China Banking Regulatory Commission, consumer finance companies may conduct some or all of the following Renminbi-denominated businesses: (i) disbursement of consumer loans to individuals; (ii) acceptance of deposits from a shareholder's domestic subsidiary in China and domestic shareholders in China; (iii) taking loans from financial institutions in China; (iv) issuance of financial bonds upon approval; (v) interbank borrowings in China; (vi) advisory and agency businesses related to consumer finance; (vii) sale of insurance products relating to consumer loans in the capacity of an agent; (viii) investments in fixed-returns securities; and any other businesses approved by the China Banking and Insurance Regulatory Commission. The establishment, change, termination of a consumer finance company, and administrative licensing procedures for approval of appointment qualifications of directors and senior management personnel shall comply with the relevant provisions of the China Banking and Insurance Regulatory Commission.

On December 30, 2020, the China Banking and Insurance Regulatory Commission promulgated the Measures for the Regulatory Rating of Consumer Finance Companies (for Trial Implementation) (《消

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費金融公司監管評級辦法(試行)》), which provides the overall arrangements for the regulatory rating of consumer finance companies. Specifically, the measures set forth five rating elements for consumer finance companies which include corporate governance and internal control, capital management, risk management, professional service quality and information technology management. The results of the regulatory rating will serve as an important basis for regulatory authorities in assessing the operation, risk profile and risk management capability of consumer finance companies as well as in formulating regulatory plans, allocating regulatory resources, and taking regulatory measures. The results will also be used as reference factors for market entry of consumer finance companies.

Regulations Relating to Microloan Companies

Pursuant to the Guiding Opinions on the Pilot Operation of Microloan Companies (《關於小額貸款公司試點的指導意見》), which were jointly promulgated by the China Banking Regulatory Commission and the People's Bank of China on May 4, 2008, if a provincial government determines a competent department to be responsible for the supervision and administration of microloan companies and the regulation of risks associated with microloan companies, such provincial government may carry out the pilot operation of microloan companies within such province. The Guiding Opinions on the Pilot Operation of Microloan Companies further provided that when granting loans, microloan companies are required to adhere to the principle of "small sum and decentralization." The balance of loans granted by a microloan company to a same borrower cannot exceed 5% of the net capital of the company. Microloan companies are required to operate on the market-oriented principle. The loan interest ceiling is floating but cannot exceed the ceiling prescribed by the judicatory authority, and the loan interest floor is required to be 0.9 times the loan base interest rate published by the People's Bank of China. The specific floating range is required to be determined independently according to the market principles.

On November 21, 2017, the Office of the Leading Group of Special Rectification of Internet Financial Risks issued the Notice on the Immediate Suspension of Approvals for the Establishment of Online Microloan Companies (《關於立即暫停批設網絡小額貸款公司的通知》), which provides that the regulatory authorities for microloan companies shall not grant any approval of establishment of online microloan companies, or grant any approval for existed microloan companies to conducting business across the provinces.

Circular 141 requires the relevant regulatory authorities to suspend the approval of the establishment of online microloan companies and the approval of any microloan business across provinces. Circular 141 also specifies that online microloan companies shall not provide campus loans, shall suspend the funding of online microloans with no specific scenario or no designated purpose, and gradually reduce the outstanding amount of such loans and take rectification measures. Furthermore, according to Circular 141, microloan companies that have exceeded the required threshold of certain caps or ratios shall stipulate plans to reduce the business scale and comply with the threshold within a time limitation. In case of violation, the relevant authorities, depending on the severity of the circumstances, may suspend such microloan company's business, order rectification, reprimand such company, reject its filing procedures, or terminate its business qualification. In addition, the relevant authority may order any website or platform operator to suspend its business, if such website or platform operator helped the entity to conduct business in violation of laws or regulations.

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The Notice on Specific Rectification Implementation Measures for Risk of Online Microloan Businesses of Microloan Companies (《關於印發小額貸款公司網絡小額貸款業務風險專項整治實施方案的通知》), or Circular 56, which was issued on December 8, 2017, defines “online microloans” as microloans provided through the internet by online microloan companies controlled by internet companies. The features of online microloans include borrower acquisition, credit assessment based on the online information collected from business operation and internet consumption, as well as loan application, approval and funding made through online procedures. It aims to investigate the legal compliance of microloan business carried out by microloan companies through the internet, and focus on remediation of microloan companies without the qualification of online lending operation or lending business. There are 11 key areas of investigation and renovation: (i) strict management of the authority of examination and approval; (ii) re-examination of the online microloan management qualifications; (iii) equity management; (iv) on-balance sheet financing; (v) asset securitization and other financing; (vi) integrated actual interest rate; (vii) the behavior of loan management and collection; (viii) the scope of the loan; (ix) business cooperation; (x) information security; and (xi) illegal operation.

In addition, consistent with the Guidance on the Guiding Opinions on the Pilot Operation of Microloan Companies and Circular 141, Circular 56 emphasize several aspects where inspection and rectification measures must be carried out for the online microloans industry, which include (i) the microloan companies shall be approved by the local authorities in accordance with the applicable regulations promulgated by the State Council, and the approved online microloan companies in violation of any regulatory requirements shall be re-examined; (ii) qualification requirements to conduct online microloan business (including the qualification of shareholders, sources of borrowers, internet scenario and the digital risk-management technology); (iii) whether the “integrated actual interest rate” (namely the ratio of the aggregated borrowing costs charged to borrowers in the form of interest and various fees to the principal of loans) are annualized and subject to the limit on interest rate of private lending set forth in the private lending judicial interpretations issued by the Supreme People’s Court and, whether any interest, handling fee, management fee or deposit are deducted from the principal of loans provided to the borrowers in advance; (iv) whether microloan companies cooperate with internet platforms without relevant website registration or telecommunication business license to offer microloans and whether microloan companies cooperate with institutions with no lending qualification to offer loans or provide funds to such institutions for them to offer loans, and with respect to the loan business conducted in cooperation with third-party institutions, whether the online microloan companies outsource their core business (including the credit assessment and risk control), or accept any credit enhancement services provided by any third-party institutions with no guarantee qualification; or whether any applicable third-party institution collects any interest or fees from the borrowers; and (v) whether entities that conduct online microloans business have obtained relevant approval or license for lending business. It also sets forth that all related institutions shall be subject to inspection and investigation before the end of January 2018. Depending on the results, different measures will be taken on the institutions that need rectification before the end of March 2018, including: (i) for institutions that hold online microloan licenses but do not meet the qualification requirements to conduct online microloan business, their online microloan licenses shall be revoked and such institutions will be prohibited from conducting loan business outside the administrative jurisdiction of their respective approved authorities; and (ii) for institutions holding online microloan licenses that meet the qualification requirements to conduct online microloan business but were found not in compliance with other requirements, such as the requirements on the integrated actual interest rate, the scope of loans and cooperation

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with third-party institutions, such institutions shall take rectification measures within a certain period specified by the local authorities, and in the event that the rectification measures do not meet the local authorities' requirements, such institutions shall be subject to several sanctions, including revocation of their online microloan licenses and to cease their business operations.

On September 7, 2020, the China Banking and Insurance Regulatory Commission issued the Notice on Strengthening the Supervision and Management of Microloan Companies (《關於加強小額貸款公司監督管理的通知》), or Circular 86. Circular 86 aims to regulate the operation of microloan companies, prevent and resolve relevant risks, promote the healthy growth of the microloan industry. Circular 86 stipulates the following requirements with respect to the microloan companies, including without limitation: (i) the financing balance of the microloan company funding by bank loans, shareholder loans and other nonstandard financing instruments shall not exceed such company's net assets; (ii) the financing balance of the microloan company funding by issuance of bonds, asset securitization products and other instruments of standardized debt assets shall not exceed four times of its net assets; (iii) the balance of loans offered to one borrower shall not exceed 10% of the net assets of the microloan company, and the balance of loans offered to one borrower and such borrower's related parties shall not exceed 15% of the net assets of the microloan company; (iv) microloan companies are prohibited from upfront deduction of interest, commission fees, management fees or deposits from the principal of the loans before they are released to the borrowers, and if microloan companies has deducted any upfront fees in violation of rules and regulations, the borrower will only need to repay the actual loan amount after the exclusion of the interest and fees deducted, and the loan's interest rate shall be calculated accordingly; (v) microloan companies shall conduct business in the administrative area at the county level where the company is domiciled in principle, except as otherwise provided for the operation of online microloan business; and (vi) the microloan companies and third-party loan collection agencies entrusted shall not collect loans by violence, threats of violence, or other ways that intentionally cause harm, infringe personal freedom, illegally occupy property, or interfere with day-to-day life through insulting, slandering, harassing, or disseminating private personal information, or other illegal methods. The local financial regulatory authorities may further lower the ratio caps in (i) and (ii) in accordance with regulatory requirements.

On November 2, 2020, the China Banking and Insurance Regulatory Commission, the People's Bank of China and other regulatory authorities released a consultation draft of the Interim Measures for the Administration of Online Microloan Business (《網絡小額貸款業務管理暫行辦法(徵求意見稿)》), which states that a microloan company must obtain the official approval of the China Banking and Insurance Regulatory Commission to conduct an online micro lending businesses outside the province where it is registered. In addition, the draft provides the statutory qualified requirements for an online microloan company, covering such things as registered capital, controlling shareholders, and use of the internet platform to engage in an online microloan business.

We used to have three microloan subsidiaries to provide loans in a small number of cases from our own funds. In response to the above consultation draft, we have ceased to use our microloan subsidiaries to fund any new loans since December 2020.

As of the Latest Practicable Date, we had canceled the microloan business license held by our Shenzhen and Hunan microloan subsidiaries in May 2022 and April 2022, respectively, and we completed

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the de-registration of our Hunan microloan subsidiary at local Administration of Market Regulation in December 2022. Shenzhen microloan subsidiary is currently in the process of de-registration, which is estimated to be completed by the end of April 2023. We have also applied and obtained approval from competent authority regarding cancelation of the online loan business permit held by our remaining Chongqing microloan subsidiary on June 30, 2022. As a result, we do not conduct any online microloan business as of the Latest Practicable Date. Furthermore, the above Interim Measures for the Administration of Online Microloan Business will not apply to our current business even if it is formally promulgated.

The principal laws governing Chongqing microloan companies are (i) the Interim Measures for the Administration of Pilot Operation of Chongqing Microloan Companies (《關於轉發重慶市小額貸款公司試點管理暫行辦法的通知》), effective August 1, 2008, (ii) the Notice on Adjustment of Provisional Measures for the Pilot Management of Microfinance Companies in Chongqing (《關於調整重慶市小額貸款公司試點管理暫行辦法有關問題的通知》), which modified the foresaid measure and became effective on April 27, 2009, and (iii) the Supervision Guidelines on the Internet Loan Business of Chongqing Microloan Companies (Trial) (《重慶市小額貸款公司開展網絡貸款業務監管指引(試行)》), issued on December 25, 2015. The Chongqing Municipal Finance Office is responsible for the examination and approval of microloan companies in Chongqing. Upon approval, microloan companies may conduct the following businesses: granting loans; discounted note business; and asset transfer. The balance of loans to the same borrower shall not exceed 10% of the net capital of the microloan company, and the upper limit of the balance for the borrower which is the group enterprise is 15% of the net capital of the microloan company. The upper limit of the loan interest rate is 4 times the benchmark interest rate of loans announced by the People's Bank of China, and the lower limit is 0.9 times the benchmark interest rate of loans announced by the People's Bank of China. Furthermore, the Notice on Adjustment of Provisional Measures for the Pilot Management of Microfinance Companies in Chongqing releases the restrictions on certain shareholder requirements for microloan companies. According to the Interim Measures for the Financing Supervision of Chongqing Microloan Companies (《重慶市小額貸款公司融資監管暫行辦法》), issued on June 4, 2012, the financing balance of a microloan company in Chongqing shall not exceed 230% of its net capital.

Regulations Relating to Internet Finance

On July 18, 2015, ten PRC regulatory agencies, including the People's Bank of China, the Ministry of Industry and Information Technology, the China Banking Regulatory Commission, and other relevant government authorities, promulgated the Guidelines on Promoting the Sound Development of Internet Finance (《關於促進互聯網金融健康發展的指導意見》), or the Internet Finance Guidelines. The Internet Finance Guidelines define the internet finance as a new financial business model whereby traditional financial institutions and internet enterprises use internet technology and information and communications technology to provide loans, payments, investments and information intermediary services.

On April 12, 2016, the General Office of the PRC State Council issued the Implementing Proposal for the Special Rectification of Internet Financial Risk (《互聯網金融風險專項整治工作實施方案》), which emphasizes the goal to ensure legitimacy and compliance of the internet finance service industry and specifies the rectification measures for non-compliance regarding the operations of internet finance business and by institutions engaged in the internet finance business.

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On April 14, 2016, the Promulgation of Implementation Plan for the Special Rectification regarding Risks of Online Asset Management and Cross-Boundary Financial Business (《通過互聯網開展資產管理及跨界從事金融業務風險專項整治工作實施方案》) was jointly issued by the People's Bank of China, the China Insurance Regulatory Commission, the China Securities Regulatory Commission and other authorities. It provides that any internet company conducting asset management business shall be ordered by the competent authority to rectify, if any of the following issues occur: (i) the licensed financial institutions entrusting internet companies without the license for sale of financial products to sell them; (ii) the internet companies without any asset management business qualifications, conducting online asset management business; or (iii) the internet companies without any financial licenses, conducting cross-border online financial activities (except for the peer-to-peer, equity crowdfunding, internet insurance, third-party payment, asset management business).

On June 30, 2017, the Office of the Leading Group of Special Rectification of Internet Financial Risks issued the Notice on the Clean-up and Reorganization of Illegal Business in Cooperation with Internet Platforms and Various Trading Venues (《關於對互聯網平臺與各類交易場所合作從事違法違規業務開展清理整頓的通知》), which stipulates that the supervision of the internet platform and trading venues shall order internet platforms within the jurisdiction to stop illegal business before July 15, 2017 and properly resolve any illegal stock business.

The Office of the Leading Group of Special Rectification of Internet Financial Risks issued the Notice on Intensifying the Corrective Action on Asset Management Business through the Internet and Conducting Acceptance Work (《關於加大通過互聯網開展資產管理業務整治力度及開展驗收工作的通知》) on March 28, 2018, or Circular 29. Under Circular 29, non-financial institutions are not allowed to issue or sell asset management products, except as otherwise stipulated. An asset management business conducted through the internet is subject to the oversight of financial regulatory authorities and the relevant licensing requirements. Any public issuance or sale of asset management products through the internet would be deemed as a financing business and the relevant asset management approvals, licenses or permits are required to conduct such business. Any entities, including internet asset management platforms, are not allowed to publicly raise funds through “targeted commissioning plans,” “targeted-source financing plans,” “wealth management plans,” “asset management plans,” “transfers of right of earnings” or similar products, or to act as an agent for any type of trading exchanges to sell asset management products without permission.

Regulations Relating to Wealth Management Business

The People's Bank of China, the China Securities Regulatory Commission, the China Banking and Insurance Regulatory Commission and the State Administration of Foreign Exchange issued the Guidelines on Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) on April 27, 2018. The new asset management guidelines stipulate that financial institutions shall independently manage an asset management product, build separate account books and make separate accounting and also prescribes that financial institutions shall not provide any direct or indirect, explicit or implicit guarantee or repurchase commitment for any non-standardized creditor's equity or equity asset invested by the asset management products. Furthermore, it proposes the definition and classification of the asset management and asset management products, qualification requirements for non-financial institutions carrying out management, information disclosure and transparency standard, investment scope of asset

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management products, rigid payment regulatory requirements, unified debt requirements and leverage requirements, eliminating multi-layer nesting and limiting channel services, and intelligent investment advisors.

Further, the new asset management guidelines divide the investors of asset management products into two categories, namely non-specific social public and qualified investors. A qualified investor is a natural person or a legal person who has the corresponding risk identification ability and risk-taking ability, and invests in a single asset management product which is not less than a certain amount and meets the following requirements:

- (1) the financial assets of the family are not less than RMB5 million, or in the last three years, the average annual income of the family is not less than RMB400,000, and has more than two years of investment experience;
- (2) the net assets are not less than RMB10 million at the end of the previous year;
- (3) other cases of qualified investors recognized by the financial supervision and administration authorities.

The amount invested by a qualified investor in a single fixed income product shall be not less than RMB300,000 and the amount invested in a single mixed product shall be not less than RMB400,000. The amount invested in a single equity product, a single commodity and a financial derivative product shall be not less than RMB1 million. If the qualified investors invest in different products at the same time, the amount of the investment is carried out in accordance with the highest standard.

The Notice on Further Regulating Financial Marketing and Publicity Activities (《關於進一步規範金融營銷宣傳行為的通知》) was issued jointly by the People's Bank of China, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange and came into effect on January 25, 2020. Financial marketing and publicity activities refer to the activities in which business operators of financial products or financial services publicize and promote financial products or financial services with various publicity tools or methods. Entities which have not obtained the corresponding financial business license shall not carry out marketing and publicity activities relating to the financial business. However, the information release platform, media, etc., which have been entrusted by business operators of financial products or financial services that have obtained financial business license, are entitled to carry out financial marketing and publicity activities for them. In the event that a business operator violates the relevant provisions but the circumstance is minor, it may be required to have an interview with the regulatory authority for admonishment and reminding of the risks, and to make corrections within a time limit. In case of failure to make corrections or its activities infringing upon the legitimate rights and interests of financial consumers, the business operator may be ordered to suspend the financial marketing and publicity activities.

On January 13, 2021, the China Banking and Insurance Regulatory Commission and the People's Bank of China released the Notice on Regulating Personal Deposit Business by Commercial Banks through

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the Internet (《關於規範商業銀行通過互聯網開展個人存款業務有關事項的通知》), which provides detailed rules for the conduct of a deposit business by commercial banks through the internet and further prohibits commercial banks from conducting a time deposit and time-demand optional deposit business through online platforms that they do not operate themselves, including such services as marketing and promotion, product display, information transmission, access to purchase and interest subsidies.

Regulations Relating to Fund-Raising

The Measures for the Banning of Illegal Financial Institutions and Illegal Financial Business Operations (《非法金融機構和非法金融業務活動取締辦法》) promulgated by the State Council, which were replaced by the Regulations of Preventing and Handling of Illegal Fund-Raising (《防範和處置非法集資條例》) on May 1, 2021, and the Notice on Relevant Issues Concerning the Penalty on Illegal Fund-Raising (《關於依法懲處非法集資有關問題的通知》), issued by the General Office of the State Council in July 2007, explicitly prohibit illegal public fund-raising. The Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Public Security jointly released the Opinions on Several Issues Concerning Criminal Cases of Illegal Fund Raising (《關於辦理非法集資刑事案件若干問題的意見》) on January 30, 2019, to further clarify the issues regarding illegal public fund-raising. Under the Regulations of Preventing and Handling of Illegal Fund-Raising, illegal public fund-raising shall mean the pooling of funds from unspecified natural or legal persons by promising to repay principal and interest or offering other investment returns without the permit of the financial administrative department under the State Council in accordance with law or in violation of financial regulations.

Regulations Relating to Private Investment Funds

The Securities Investment Fund Law of PRC (《中華人民共和國證券投資基金法》), issued by the Standing Committee of the National People's Congress in 2003 and last amended on April 24, 2015, governs the administration and supervision of securities investment funds, which includes private investment funds. In addition, private investment funds are regulated by rules and regulations enacted by the China Securities Regulatory Commission, and the Asset Management Association of China.

The China Securities Regulatory Commission issued the Interim Measures for the Supervision and Administration of Private Investment Funds (《私募投資基金監督管理暫行辦法》) on August 21, 2014. Under the Interim Measures, "private investment funds" are investment funds established by raising capitals from qualified investors in a non-public manner within the territory of the PRC. The Interim Measures contains provisions relating to fund manager registration, private fund record keeping and filing requirements, qualified investor systems, regulations on fund raising by private funds, industry self-regulation, and the supervision and administration measures of private investment funds.

As for qualified investor system, qualified investor of a private equity fund means a corporate or individual investor that has the relevant risk identification ability and risk appetite, invests RMB1 million or more in a single private equity fund and comply with the following relevant criteria: (1) being a corporation that has a net asset of not less than RMB10 million; (2) being an individual that has financial assets of not less than RMB3 million or has an average annual income of not less than RMB500,000 for the past three

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years. The following investors are deemed as qualified investors: (1) the National Social Security Fund, pension funds (such as companies' annuities) and social welfare funds (such as charity funds); (2) investment scheme established according to the relevant law and registered with the Asset Management Association of China; (3) managers and practitioners of private equity funds who also invest in the private equity funds managed by themselves; and (4) other investors stipulated by the China Securities Regulatory Commission.

According to the Measures for the Registration of Private Investment Fund Managers and Filing of Private Investment Funds (Trial) (《私募投資基金管理人登記和基金備案辦法(試行)》) issued by the Asset Management Association of China and took effect on February 7, 2014, the Administration Measures for the Fund Raising of Private Investment Funds (《私募投資基金募集行為管理辦法》), effective from July 15, 2016, only two kinds of institutions are qualified to conduct fund raising for private investment funds: (a) private fund managers registered with the Asset Management Association of China (only applicable when raising funds for the funds established and managed by themselves); and (b) fund distributors with a fund distribution license who are Asset Management Association of China members in case of authorization of such private fund managers. In addition, the Measures set forth detailed procedures for fund raising, and require fund management service providers to comply with certain anti-money laundering requirements.

On December 7, 2018, the Asset Management Association of China released the Notice for Private Fund Manager Registration (《私募基金管理人登記須知》), which set further requirements for the registration and ongoing compliance matters for private fund managers. On December 23, 2019, the Asset Management Association of China issued the Notice Regarding the Filing Procedure for Private Investment Funds (《私募投資基金備案須知》), which clarifies the procedural requirements upon the completion of fund raising by private investment funds and specifies the scope of material issues to be filed with the Asset Management Association of China.

On December 30, 2020, the China Securities Regulatory Commission released the Regulations on Strengthening the Supervision of Private Equity Investment Funds (《關於加強私募投資基金監管的若干規定》), which reiterate that private equity funds must be privately raised from qualified investors, further clarify the proper investment requirements for private equity funds, strengthen the regulatory requirements for private equity fund managers and practitioners and other entities, and provide rules regarding connected transactions for private equity funds.

On June 2, 2022, the Asset Management Association of China issued the Notice on Matters Related to the Registration and Filing of Private Equity Fund Managers (《關於私募基金管理人登記備案工作相關事宜的通知》), which reiterates the requirements on registration and filing materials as stated in the private equity fund manager registration application materials list (2020 Version) (《私募基金管理人登記申請材料清單》(2020年版)).

On February 24, 2023, the Asset Management Association of China issued the Measures for the Registration of Private Investment Fund and Record-filing of Funds (《私募投資基金登記備案辦法》), which will come into effect on May 1, 2023 and replace the previous the Measures for the Registration of Private Investment Fund Managers and Record-filing of Funds (for Trial Implementation), the Notice for Private Fund Manager Registration and Answers to questions related to the registration and filing of private

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equity funds (IV), (XIII) and (XVIII). The new measures further standardized and clarified the relevant issues and requirements relating to registration and filing of private equity fund managers, the filing of private equity funds and the submission of private equity fund operation information. The new measures also further improved the standards on the requirement for registration and filing of private equity fund managers, the filing requirements of private equity funds and the operation requirements of private equity fund managers. Under the new measures, private fund managers must meet the paid-in monetary capital of no less than RMB10 million and have no less than five full-time employees at the time of registration. In addition, the new measures provide a transition arrangement in the application of old and new rules.

Regulations Relating to Trading Exchanges

On November 11, 2011, the State Council issued the Decision of the State Council on Sorting Out and Rectifying Various Trading Venues to Effectively Prevent Financial Risks (《國務院關於清理整頓各類交易場所切實防範金融風險的決定》), according to which all the trading exchanges engaging in transactions of property rights, works of culture and art, forward transactions of bulk commodities and other similar transactions, or the trading exchanges with the word “exchange” in their names must report their names to corresponding provincial governments for approval, unless otherwise approved by the State Council or the financial regulatory department under the State Council. The governments at the provincial level supervise the trading exchanges and firms within their jurisdictions, while the State Council supervises the trading exchanges and firms that had received approval for establishment from it.

On July 12, 2012, the general office of the State Council issued the Implementation Opinions on Sorting Out and Rectifying Various Trading Venues (《關於清理整頓各類交易場所的實施意見》) to further regulate various trading exchanges established with approval from provincial or other local governments. Each of the provincial governments shall conduct inspection of trading exchanges within its jurisdiction. Exchanges that are not in compliance may be banned from launching new products, be ordered to make rectification or even be shut down. Trading exchanges are prohibited to carry out the following activities: (i) split the equity into equal shares for public offering; (ii) conduct the transaction in a centralized manner; (iii) the rights and interests be continuously listed and traded in accordance with standardized trading units; (iv) the total number of equity holders exceed 200; (v) standardized contract transactions be conducted in a centralized transaction; (vi) trading exchanges be established to engage in insurance, credit, gold and other financial product transactions without the approval of the relevant financial management department of the State Council, and other trading exchanges engage in insurance, credit, or gold financial product transactions.

The Rectification Office of the China Securities Regulatory Commission issued the Notice of Cleaning Up and Rectifying Trading Exchanges in the Early Stage of “Looking Back” (《做好清理整頓“回頭看”前期階段有關工作的通知》) on March 16, 2017, and which emphasized the rules provided by the Decision of the State Council on Sorting Out and Rectifying Various Trading Venues to Effectively Prevent Financial Risks and the Implementation Opinions on Sorting Out and Rectifying Various Trading Venues.

The Opinions on the Proper Disposal of the Problems and Risks Left by Local Trading Exchanges (《關於穩妥處置地方交易場所遺留問題和風險的意見》), which were issued by the Inter-Ministerial Joint Meeting on Sorting Out and Rectifying Various Trading Venues on November 1, 2018, further emphasized the requirements and methods to continuously sort out the stock risks properly.

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Regulations Relating to Internet Advertising

The main regulations governing internet advertising include the Advertising Law of the PRC (《中華人民共和國廣告法》), which was recently amended on April 29, 2021, and the Interim Measures for Administration of Internet Advertising (《互聯網廣告管理暫行辦法》), which were issued by the State Administration for Market Regulation in 2016. Pursuant to these regulations, internet advertisers are responsible for the authenticity of the content of advertisements. The identity, administrative license, cited information and other certificates that advertisers are required to obtain in publishing internet advertisements shall be true and valid. Internet advertisements shall be distinguishable and prominently marked as “advertisements” in order to enable consumers to identify them as advertisements. Publishing and circulating advertisements through the internet shall not affect the normal use of the internet by users. It is not allowed to induce users to click on the content of advertisements by any fraudulent means, or to attach advertisements or advertising links in the emails without permission. The Internet Advertising Measures also impose several restrictions on the forms of advertisements and activities used in advertising. “Internet advertising” refers to commercial advertisements that directly or indirectly promote goods or services through websites, web pages, internet applications or other internet media in various forms, including texts, pictures, audio clips and videos. Furthermore, on February 25, 2023, the State Administration for Market Regulation published the Measures for Administration of Internet Advertising (《互聯網廣告管理辦法》), which will come into effect on May 1, 2023 and the Interim Measures for Administration of Internet Advertising will be repealed simultaneously. The new measures generally retain the requirements of the interim measures, while incorporating the following major modifications: (1) clarifying the respective responsibilities of advertising publishers, internet information service providers and advertising operators; (2) introducing rules targeting new types of advertisements including those published through smart home appliances and live webcast; and (3) further prohibiting disguised publication of advertisements and emphasizing the requirement of distinguishability.

On December 31, 2021, the People’s Bank of China, the Ministry of Industry and Information Technology, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission, the Cyberspace Administration of China, the State Administration of Foreign Exchange and the State Intellectual Property Office jointly issued the Measures for Administration of Online Marketing of Financial Products (Draft for Comments) (《金融產品網絡營銷管理辦法(徵求意見稿)》) (the “**Draft Online Marketing Measures**”), which regulates financial institutions and internet platform operators entrusted by such financial institutions to carry out internet marketing activities of financial products. Pursuant to this draft measures, financial institutions may not entrust any other entities or individuals to carry out internet marketing of financial products unless otherwise provided or authorized by laws and regulations. The draft measures also prohibit third-party online platform operators from participating in the sale of financial products in a disguised way without the approval of financial regulatory authorities, including but not limited to interactive consultation with consumers on financial products, suitability evaluation of consumers of financial products, signing of sale contracts, transfer of funds and participation in the income sharing of financial business by setting various charging mechanisms linked to the loan scale and interest scale. Private equity fund management institutions, credit rating agencies, and local financial organizations approved by local financial regulatory authorities, like our financing guarantee subsidiary shall also apply to this measures by reference when conducting internet marketing activities of financial products as financial institutions.

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As advised by our PRC Legal Adviser, the Company is of the view that the business cooperation between our licensed subsidiaries and third-party online platforms, if applicable, is regulated by the Draft Online Marketing Measures. And the Draft Online Marketing Measures will also apply if we cooperate with other financial institutions in the role of an online platform to carry out the internet marketing of financial products. The Draft Online Marketing Measures do not prohibit our business as long as our business practices is in accordance with relevant laws, regulations and regulatory requirements.

Specifically, our business is primarily conducted through our financing guarantee subsidiary and consumer finance subsidiary, which shall be subject to the requirement for financial institutions under the Draft Online Marketing Measures when conducting internet marketing activities of financial products. Nevertheless, the impact of the Draft Online Marketing Measures towards our principal business is limited because we mainly acquire customers through offline channels, and have limited cooperation with third-party online platforms for online marketing for our financial products.

However, we still have some business that may be defined as internet marketing of financial products through online platform, such as Lujintong. As advised by our PRC Legal Adviser, we, as an online platform, have complied with the Draft Online Marketing Measures in all material aspects except that in some limited cases, certain service fees we charge from financial institution partners are based on loan volume and interest rate, which may be recognized as participating in the income sharing of financial business in a disguised way. Therefore, once the Draft Online Marketing Measures are adopted in the current form, we may be required to adjust the way we charge financial institutions under certain cases. If the Draft Online Marketing Measures take effect in its current form, we will consult and negotiate with our financial institution partners to make the necessary adjustments on cooperation agreements as required by the authorities and our financial institution partners to ensure compliance. Given that (i) such business had very limited contribution to our financial performance during the Track Record Period, which amounted to less than 5% of our total income; (ii) we have not received any notice from its financial institution partners regarding the potential adjustment; and (iii) the Draft Online Marketing Measures provide a 6-month grace period from its effectiveness date for companies to make adjustments and become compliant with the provisions therein, if the Draft Online Marketing Measures are adopted in their current form, we believe the adjustment of the service fee arrangement will not have a material adverse effect on the cooperation between the financial institutions and us or our total income.

Based on the above, as advised by our PRC Legal Adviser, we are of the view that the Draft Online Marketing Measures as well as such measures we may take will not cause any adverse impact on our business operation and financial condition. We will closely monitor regulatory developments as they occur and adjust our business operations accordingly.

Regulations Relating to Blockchain

The Administrative Regulations on Blockchain Information Services (《區塊鏈信息服務管理規定》), which were issued by the Cyberspace Administration of China and took effect on February 15, 2019, regulates information services provided to the public through internet sites, applications and other means based on blockchain technology or systems. It set forth regulations relating to content security management,

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record keeping and filing, technical conditions, real identity information authentication, security assessment and information security risks rectification application to blockchain information service providers. Penalties for violating the regulations include warnings, suspension of business, fines, and criminal liability.

According to the Announcement of the Instructions regarding the Safety Assessment Clauses of the Regulations on the Management of Blockchain Information Services issued by the Cyberspace Administration of China (《關於〈區塊鏈信息服務管理規定〉涉安全評估條款說明的公告》) on August 9, 2019, enterprises conducting blockchain information services are required to carry out safety assessment measures, such as entrusting qualified assessment agencies to conduct safety assessments or conducting self-assessment of safety risks on blockchain information services, and such enterprises are required to submit the relevant assessment reports to the relevant authorities.

Regulations Relating to the Protection of Consumers Rights and Interests

The Consumers Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》), which was released by the Standing Committee of the National People's Congress last amended on October 25, 2013 and effective on March 15, 2014, provides the general regulatory principles and rules regarding consumers rights and interests protection in the PRC. According to the Consumers Rights and Interests Protection Law of the PRC, business operators should guarantee that the products and services they provide satisfy the requirements for personal or property safety, and provide consumers with authentic information about the quality, function, usage and term of validity of the products or services. Pursuant to the Measures for Penalties for Infringement of Consumer Rights and Interests (《侵害消費者權益行為處罰辦法》), which was issued by the State Administration for Market Regulation on March 15, 2015 and amended on October 23, 2020, where business operators use standard terms, notices, statements, shop bulletins, etc. in providing goods or services for consumers, business operators shall not coerce or coerce in disguised forms consumers to purchase and use goods or services provided by them or by their designated operators, and they shall not refuse to provide the corresponding goods or services to consumers who reject their unreasonable conditions, or raise fee rates for such consumers. On November 4, 2015, the General Office of the State Council issued the Guiding Opinions on Strengthening the Protection of Financial Consumers' Rights and Interests (《國務院辦公廳關於加強金融消費者權益保護工作的指導意見》), which stipulated that financial management departments shall, according to the relevant requirements of the state on the development of inclusive finance, expand the coverage of inclusive finance and improve the permeability. Financial institutions shall attach importance to the diversity and difference of the needs of financial consumers, and actively support underdeveloped areas and low-income groups in having access to necessary and timely basic financial products and services.

On November 8, 2019, the Notice of the Supreme People's Court on Issuing the Minutes of the National Court Work Conference for Civil and Commercial Trials (《全國法院民商事審判工作會議紀要》) was issued, which provides guidance for the people's courts at all levels in civil and commercial trials. For the trial of cases involving disputes over protection of financial consumers' rights and interests, the Minutes emphasize that issuers and sellers of financial products as well as suppliers of financial services shall assume appropriate obligation, which refers to the obligation to know customers and products and to sell or provide appropriate products or services to financial consumers in the process of promoting or selling

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bank wealth management products, insurance investment products, trust wealth management products, collective wealth management plans of securities companies, shares of leveraged funds, options and other off-exchange derivatives and other high-risk financial products to financial consumers, as well as the obligation to provide services to financial consumers during the process of their participation in high-risk investment activities such as securities margin trading, new third board, growth enterprise board and futures. The Minutes further stipulate the liability where the issuer or seller of a financial product fails to fulfill its suitability obligation, leading to any loss to the financial consumer in the process of purchasing the financial product. In case a financial service supplier fails to perform suitability obligations, causing losses to financial consumers after accepting financial services relating to high-risk level investments, the financial consumer may request the financial service provider to bear compensation liability.

On September 24, 2019, the China Banking and Insurance Regulatory Commission issued the Notice on Rectification of Banking Institutions and Insurance Institutions regarding the Infringement of the Rights and Interests of Consumers (《中國銀保監會辦公廳關於開展銀行保險機構侵害消費者權益亂象整治工作的通知》), which stipulated that banking institutions shall not infringe consumers' freedom of choice by compulsory bundling, and shall not force consumers to buy products and services from their third-party partners, and if insurance institutions cooperate with third-party online lending platforms, they shall not force borrowers to buy accident insurance, guarantee insurance, or other insurance products. Such rules have been emphasized by the Notice on Further Regulating Credit Financing Charges to Reduce Comprehensive Financing Costs (《關於進一步規範信貸融資收費降低企業融資綜合成本的通知》), which was jointly issued by the China Banking and Insurance Regulatory Commission, the People's Bank of China and other regulatory authorities on May 18, 2020 and became effective from June 1, 2020. The notice also provides that banking institutions shall not force borrowers to purchase insurance, wealth management or other asset management products during the credit examination procedure.

Furthermore, the Implementation Measures for the Protection of the Rights and Interests of Financial Consumers (《中國人民銀行金融消費者權益保護實施辦法》), issued by the People's Bank of China on September 15, 2020 and effective from November 1, 2020, provide that banking institutions and third-party payment institutions shall not take advantage of technical means or dominant positions to force financial consumers to purchase financial products or services, or restrict financial consumers from purchasing other financial products or services provided by peer institutions.

On December 26, 2022, the China Banking and Insurance Regulatory Commission issued the Administrative Measures for the Protection of Consumers' Rights and Interests by Banking and Insurance Institutions (《銀行保險機構消費者權益保護管理辦法》), which will come into effect on March 1, 2023. It requires banking and insurance institutions to establish and improve systems and mechanisms for the protection of consumer's rights and interests, including mechanisms for review, disclosure, consumer appropriateness management, traceability of sales practices, protection of consumers' information, list-based management of the partners, complaint handling, diversified resolution of conflicts and disputes, internal training, internal assessment and internal audit. It also lists the following consumers' rights that the banking and insurance institutions shall protect: (i) right to know; (ii) right to choices on their own; (iii) right to a fair transaction; (iv) right to property safety; (v) right to lawful claim; (vi) right to education; (vii) right to respect; and (viii) right to information security. Further, the China Banking and Insurance Regulatory Commission and its local offices may take

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regulatory measures against the institutions if any problem regarding consumer protection was inspected, and may impose administrative punishment in case of violation of the administrative measures.

Regulations Relating to Credit Investigation Business

The PRC government has adopted several regulations governing personal and enterprise credit investigation businesses. These regulations include the Regulation for the Administration of Credit Investigation Industry (《徵信業管理條例》), enacted by the State Council and effective in March 2013, and the Management Rules on Credit Agencies (《徵信機構管理辦法》), issued by the People's Bank of China, in the same year.

On September 27, 2021, the People's Bank of China issued the provisions of Administrative Measures on Credit Investigation (《徵信業務管理辦法》), or the Credit Investigation Measures, effective on January 1, 2022. The Credit Investigation Measures define "credit information" to include "basic information, borrowing and lending information and other relevant information collected pursuant to the law to provide services for financial and other activities for identifying and judging the credit standing of businesses and individuals, as well as analysis and evaluation formed based on the aforesaid information." They apply to entities that carry out credit investigation business and "activities relating to credit investigation business" in China. Separately, entities providing "services with credit investigation function" in the name of "credit information service, credit service, credit evaluation, credit rating, credit repair and other services" are also subject to the Credit Investigation Measures. The Credit Investigation Measures require that whoever engages in personal credit investigation business shall obtain permit from the People's Bank of China's personal credit investigation agency and whoever engages in enterprise credit investigation business shall complete filing formalities pursuant to the law; and whoever engages in credit rating business shall complete filings as a credit rating agency pursuant to the law.

On July 7, 2021, the Credit Information System Bureau of People's Bank of China further issued the notice relating to disconnecting direct connection, to 13 internet platforms, including us, requiring the internet platforms to achieve a complete "disconnected direct connection" ("斷直連") in terms of personal information with financial institutions, meaning that the direct flow of personal information from internet platforms that collect such information to financial institutions is prohibited. Under our core retail credit and enablement business model, we directly share data relating to potential borrowers with our institutional partners by our financing guarantee subsidiary. Pursuant to the Credit Investigation Measures and the notice relating to disconnecting direct connection, the abovementioned operations may be deemed to be engaging in credit investigation business. However, based on our communication with the relevant regulatory authorities during the 429 Rectification and considering that the Guidelines for Business Cooperation between Banking Financial Institutions and Financing Guarantee Companies (《銀行業金融機構與融資擔保公司業務合作指引》) stipulate that banks and guarantee companies may separately accept clients' applications and recommend clients to each other, the above data sharing by our financing guarantee subsidiary, as recognized by the relevant regulatory authorities during the 429 Rectification, does not fall into the scope of credit investigation business of a credit investigation institution under the provisions of the Credit Investigation Measures and is not within the application of the notice relating to disconnecting direct connection. Therefore, no further adjustment for our data sharing model is required as of the Latest Practicable Date.

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Regulations Relating to Anti-Money Laundering

The Anti-money Laundering Law of the PRC (《中華人民共和國反洗錢法》) was promulgated by the Standing Committee of the National People's Congress in 2006 and effective since January 1, 2007. It sets forth the principal anti-money laundering requirements applicable to financial institutions as well as non-financial institutions with anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment and improvement of various systems for client identification, retention of clients' identification information and transactions records, and large transaction and suspicious transaction reporting. Pursuant to the PRC Anti-money Laundering Law, financial institutions subject to the Anti-money Laundering Law include banks, postal saving institutions, credit unions, trust investment companies, securities companies, futures brokerage companies, insurance companies and other financial institutions determined and announced by the anti-money laundering administrative authority of the State Council, while the list of the non-financial institutions with anti-money laundering obligations will be formulated jointly by the anti-money laundering administrative authority and other relevant departments of State Council. The People's Bank of China and other governmental authorities issued a series of administrative rules and regulations to specify the anti-money laundering obligations of financial institutions and designated non-financial institutions, such as insurance brokerage companies, insurance agencies and payment institutions. The list of the non-financial institutions subject to anti-money laundering obligations has not been promulgated yet.

Furthermore, the Internet Finance Guidelines require internet financial actors to comply with certain anti-money laundering requirements, including taking measures to recognize the identity of customers, monitoring and reporting of suspicious transactions, preservation of customer information and transaction records, and provision of assistance to the public security department and judicial authority in investigations and proceedings concerning anti-money laundering matters.

The Administrative Measures for Anti-Money Laundering and Counter-Terrorism Financing by Internet Financial Service Agencies (Trial) (《互聯網金融從業機構反洗錢和反恐怖融資管理辦法(試行)》) was jointly promulgated by the People's Bank of China, the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission and came into effect on January 1, 2019. It specifies the anti-money laundering obligations of internet finance service agencies and regulate that the internet finance service agencies shall (i) adopt continuous customer identification measures; (ii) implement the system for reporting large-value or suspicious transactions; (iii) conduct real-time monitoring of the lists of listed terrorist organizations and terrorists; and (iv) properly keep the information, data and materials such as customer identification and suspicious transaction reports.

The Measures for the Supervision and Administration of Combating Money Laundering and Financing of Terrorism by Financial Institutions (《金融機構反洗錢和反恐怖融資監督管理辦法》) was promulgated by the People's Bank of China on April 15, 2021 and came into effect on August 1, 2021. These measures stipulate a financial institution shall establish a self-assessment system for risks of money laundering and financing of terrorism at the headquarters level, and assess risks of money laundering and financing of terrorism on a regular and irregular basis, and submit the self-assessment situation to the People's Bank of China or the branch office of the People's Bank of China at the place where it is located within 10 working days from the date of review by the board of directors or senior executives.

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We have implemented various policies and procedures, including internal controls and “know-your-customer” procedures, aimed at preventing money laundering and terrorism financing. See “Risk Factors—Risks Relating to Our Business and Industry—We may be subject to domestic and overseas anti-money laundering and anti-terrorist financing laws and regulations and any failure by us, funding partners or payment agents to comply with such laws and regulations could damage our reputation, expose us to significant penalties and decrease our income and profitability.”

Regulations on Anti-Monopoly Matters Related to Internet Platform Companies

The PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》), which took effect on August 1, 2008, prohibits monopolistic conduct such as entering into monopoly agreements, abusing market dominance and concentration of undertakings that has or may have the effect of eliminating or restricting competition. Moreover, the Standing Committee of the National People’s Congress revised the PRC Anti-Monopoly Law in June 2022, effective August 1, 2022, which requires that operators may not use data and algorithms, technology, capital advantages and platform rules to engage in monopolistic behaviors prohibited by this law. On February 7, 2021, the Anti-Monopoly Commission of the State Council officially promulgated the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《關於平臺經濟領域的反壟斷指南》). The guidelines prohibit certain monopolistic acts of internet platforms so as to protect market competition and safeguard interests of users and undertakings participating in internet platform economy, including without limitation, prohibiting platforms with dominant position from abusing their market dominance (such as discriminating customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements, using technology means to block competitors’ interface, favorable positioning in search results of goods displays, tying or attaching unreasonable trading conditions, compulsory collection of unnecessary user data). In addition, the guidelines also reinforce antitrust merger review for internet platform related transactions to safeguard market competition. The Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》), amended by the State Administration for Market Regulation on March 24, 2022, further prevent and prohibit the abuse of dominant market positions.

Regulations Relating to Information Security and Privacy Protection

Regulations on Information Security

In recent years, PRC government authorities have enacted laws and regulations with respect to internet information security and protection of personal information from abuse or unauthorized disclosure. Pursuant to the Decision on the Maintenance of Internet Security issued by the Standing Committee of the National People’s Congress in 2000 and amended on August 27, 2009 (《全國人民代表大會常務委員會關於維護互聯網安全的決定》), persons may be subject to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights and other activities prohibited by relevant laws and regulations.

The Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), issued by the Ministry of

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Public Security and last amended in 2011, prohibits using the internet in ways that result in a leak of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers and relevant local security bureaus may also have jurisdiction. If a value-added-telecommunications service license holder violates these measures, the government of the PRC may revoke its value-added-telecommunications service license and shut down its websites.

Pursuant to the Regulations of the People's Republic of China for Safety Protection of Computer Information Systems (《中華人民共和國計算機信息系統安全保護條例》), which was issued by the State Council and amended on January 8, 2011, the safety grading protection is provided for the computer information systems, and no organization or individual is allowed to take advantage of computer information systems to engage in activities harmful to the national interests and other people's interests or legitimate rights, nor endanger the safety of computer information systems.

Pursuant to the Ninth Amendment to the Criminal Law (《中華人民共和國刑法修正案(九)》) issued by the Standing Committee of the National People's Congress in 2015 and effective on November 1, 2015, any internet service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses rectification orders is subject to criminal penalty for (i) any dissemination of illegal information in large scale, (ii) any severe effect due to leakage of the client's information, (iii) any serious loss of criminal evidence, or (iv) other severe situation. The amendment also states that any individual or entity that (i) sells or provides personal information to others that violates applicable law, or (ii) steals or illegally obtains any personal information, is subject to criminal penalty for severe violations.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate issued the Interpretations on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which became effective on June 1, 2017 and stipulates that the personal information of a natural person shall be protected by the law. It clarifies several concepts regarding the crime of "infringement of citizens' personal information," including "citizen's personal information," "provision," and "unlawful acquisition." Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

The Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) was promulgated by the Standing Committee of the National People's Congress and took effect on June 1, 2017. Pursuant to it, network operators must comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks must take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. Network operators shall not collect personal information that is irrelevant to the services it provides or collect or use the personal information in violation of the

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provisions of laws or agreements between both parties. The Regulations on Cybersecurity Supervision and Inspection of Public Security Organs (《公安機關互聯網安全監督檢查規定》), which were issued by the Ministry of Public Security and came into effect on November 1, 2018, is an important basis for the Public Security Bureau to strengthen the enforcement of the Cybersecurity Law.

The PRC Civil Code provides that personal information of natural persons is protected by law. The Civil Code defines the processing of personal information as the collection, storage, use, processing, transmittal, provision and disclosure of personal information. Furthermore, according to the Civil Code, any entity that engages in the processing of personal information must follow the principles of lawfulness, fairness, and necessity and may not overuse personal information, and they must obtain the consent of the natural person or his or her guardian, except as otherwise provided by laws and regulations.

Pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which was issued on January 23, 2019, app operators should collect and use personal information in compliance with the Cybersecurity Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the personal information protection. Furthermore, app operators should not force their users to make authorization by means of bundling, suspending installation or in other default forms and should not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of Apps Infringing upon Users' Personal Rights and Interests (《關於開展縱深推進APP侵害用戶權益專項整治行動的通知》), which was issued by the Ministry of Industry and Information Technology on July 22, 2020. The Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes (《關於辦理非法利用信息網絡、幫助信息網絡犯罪活動等刑事案件適用法律若干問題的解釋》), which was jointly issued by the Supreme People's Court and the Supreme People's Procuratorate and came into effect on November 1, 2019, further clarifies the meaning of internet service provider and the severe situations of the relevant crimes.

The Guidelines for Internet Personal Information Security Protection (《互聯網個人信息安全保護指南》), issued by the Ministry of Public Security and came into effect on April 10, 2019, provide guidelines by internet service providers to carry out measures for personal information protection. These are non-binding standards and guidelines applicable to personal information holders, including both the enterprises that provide services via the internet and organizations or individuals that control and process personal information by using private networks or offline environments. The Guidelines for Internet Personal Information Security Protection requires such personal information holders to establish a personal information administrative control system, implement technical safeguards and protect personal information during their business processes.

The Cybersecurity Review Measures (《網絡安全審查辦法》) were issued on April 13, 2020 and took effect on June 1, 2020. The measures provide detailed rules regarding cybersecurity review, and any operator in violation of the regulations shall be penalized in accordance with Article 65 of the Cybersecurity Law. On December 28, 2021, the Cyberspace Administration of China together with other twelve governmental authorities published a new version of the Cybersecurity Review Measures (《網絡安全審查

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辦法(2021)》), which replaced the Cybersecurity Review Measures published in 2020 and became effective on February 15, 2022. Pursuant to the Cybersecurity Review Measures and other PRC cybersecurity laws and regulations, critical information infrastructure operators that purchase internet products and services or online platform operators that carry out data processing activities that affect or may affect national security shall be subject to the cybersecurity review. Moreover, where an online platform operator who possesses the personal information of over one million users intends to apply for foreign listing, it must undergo a cybersecurity review. Meanwhile, the Cybersecurity Review Measures grants the competent authorities the right to initiate a cybersecurity review without application, if any member organization of the cybersecurity review mechanism has reason to believe that any internet products, services or data processing activities affect or may affect national security.

On June 10, 2021, the Standing Committee of the National People’s Congress issued the Data Security Law of the PRC (《中華人民共和國數據安全法》), which came into effective on September 1, 2021. The Data Security Law clarifies the scope of data to cover a wide range of information records generated from all aspects of production, operation and management of government affairs and enterprises in the process of the gradual transformation of digitalization, and requires that data collection shall be conducted in a legitimate and proper manner, and the theft or illegal collection of data is not permitted. Data processors shall establish and improve whole-process data security management rules, organize and implement data security training and take appropriate technical measures and other necessary measures to protect data security. In addition, data processing activities shall be conducted on the basis of the graded protection system for cybersecurity. Monitoring of data processing activities shall be strengthened, and remedial measures shall be taken immediately in case of discovery of risks regarding data security related defects or bugs. In case of data security incidents, responsive measures shall be taken immediately, and disclosure to users and report to the competent authorities shall be made in a timely manner.

On July 30, 2021, the State Council issued the Regulations for the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), or the CII Regulations, which came into effect on September 1, 2021. Pursuant to the CII Regulations, “critical information infrastructures” refers to important network facilities and information systems of important industries and sectors such as public communications and information services, energy, transport, water conservation, finance, public services, e-government, and science and technology industry for national defense, as well as other important network facilities and information systems that may seriously endanger national security, national economy and citizen’s livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Competent authorities as well as the supervision and administrative authorities of the above-mentioned important industries and sectors are responsible for the security protection of critical information infrastructures, or the Protection Authorities. The Protection Authorities will establish the rules for the identification of critical information infrastructures based on the particular situations of the industry and report such rules to the public security department of the State Council for record. The following factors must be considered when establishing identification rules: (i) the importance of network facilities and information systems to the core businesses of the industry and the sector; (ii) the harm that may be brought by the damage, malfunction or data leakage of, the network facilities and information systems; and (iii) the associated impact on other industries and sectors. The Protection Authorities are responsible for organizing the identification of critical information infrastructures in their

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own industries and sectors in accordance with the identification rules, promptly notifying the operators of the identification results and reporting to the public security department of the State Council.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全性漏洞管理規定》) were jointly promulgated by the Ministry of Industry and Information Technology, the Cyberspace Administration of China and the Ministry of Public Security on July 12, 2021 and came into effect on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the provisions and shall establish channels to receive information of security vulnerability of their respective network products. In response to the Cybersecurity Law, network product providers shall be reported to the Cyber Security Threat and Vulnerability Information Sharing Platform of the Ministry of Industry and Information Technology within two days and provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability in a timely manner after discovering or acknowledging that their networks, information systems or equipment have such security vulnerability. According to the provisions, the breaching parties may be subject to punishments as regulated in accordance with the Cybersecurity Law.

On September 17, 2021, the Cyberspace Administration of China and eight other authorities jointly promulgated the Notice on Promulgation of the Guiding Opinions on Strengthening the Comprehensive Governance of Algorithm-Related Internet Information Services (《關於印發〈關於加強互聯網信息服務算法綜合治理的指導意見〉的通知》), which proposes a three-year plan to gradually establish a comprehensive governance pattern for algorithm security with sound governance mechanism, perfect regulatory system and standardized algorithm ecology. On December 31, 2021, the Cyberspace Administration of China, the Ministry of Industry and Information Technology, the Ministry of Public Security and the State Administration for Market Regulation jointly issued the Administration Provisions on Algorithmic Recommendation of Internet Information Services (《互聯網信息服務算法推薦管理規定》), which became effective on March 1, 2022. The provisions provide that algorithmic recommendation service providers shall (i) fulfill their responsibilities for algorithm security, (ii) establish and improve management systems for algorithm mechanism examination, ethical vetting in technology, user registration, information release vetting, protection of data security and personal information, anti- telecommunications and internet fraud, security assessment and monitoring, emergency response to security incidents, etc., and (iii) formulate and disclose relevant rules for algorithm recommendation services, and be equipped with professional staff and technical support appropriate to the scale of the algorithm recommendation service.

On July 7, 2022, the Cyberspace Administration of China published the Measures for the Security Assessment of Outbound Data Transfer (《數據出境安全評估辦法》), effective September 1, 2022, pursuant to which a data processor shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through the local provincial cyberspace administration, if it intends to provide data abroad under any of the following circumstances: (i) the data processor provides important data abroad; (ii) the critical information infrastructure operator or the data processor that has processed the personal information of over one million people provides personal information abroad; (iii) the data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year provides personal information abroad; (iv) any other circumstance where an application for the security assessment of outbound data transfer is required by the national cyberspace administration.

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On November 14, 2021, the Cyberspace Administration of China published the Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), which specifies that a data processor that seeks to list in Hong Kong whose activities affect or may affect national security should apply for cybersecurity review. As of the date of this listing document, the draft measures have not yet promulgated into law.

On February 22, 2023, the Cyberspace Administration of China issued the Measures for Standard Contract for Outbound Data Transfer of Personal Information (《個人信息出境標準合同辦法》), which will come into effect on June 1, 2023. The measures provide a transitional period of six months from the effective date for companies to take necessary measures to comply with the requirements. According to the measures, in the cases where the personal information processor provides personal information abroad by concluding a standard contract, the contract shall be concluded in strict compliance with the form Standard Contract, that is attached as an annex to the measures. The measures further provide that personal information processors may agree on other terms with overseas recipients, but they shall not conflict with the Standard Contract. According to the measures, the personal information processor shall, within ten working days from the effective date of the standard contract, file with the local provincial network information department and submit the standard contract and personal information protection impact assessment report for record.

Regulations on Privacy Protection

The Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) were issued by the Ministry of Public Security on December 13, 2005 and came into effect on March 1, 2006. It requires internet service providers to utilize standard technical measures for internet security protection.

Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which were issued by the Ministry of Industry and Information Technology on December 29, 2011 and came into effect on March 15, 2012, internet service providers are also prohibited from collecting any personal user information or providing any information to third parties without the consent of the user. The Cybersecurity Law provides an exception to the consent requirement where the information is anonymous, not personally identifiable and unrestorable. Internet service providers must expressly inform the users of the method, content and purpose of the collection and processing of user personal information and may only collect information necessary for its services. Internet service providers are also required to properly maintain user personal information, and in case of any leak or likely leak of user personal information, they must take remedial measures immediately and report any material leak to the telecommunications regulatory authority.

In addition, the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) issued by the Standing Committee of the National People's Congress on December 28, 2012 emphasizes the need to protect electronic information that contains individual identification information and other private information. The decision requires internet service providers to establish and publish policies regarding the collection and use of personal electronic information and to take necessary measures to ensure the security of the information and to prevent leakage, damage or loss. Furthermore, the Ministry of

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Industry and Information Technology's Order on Protection of Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》), which took effect on September 1, 2013, contains detailed requirements on the use and collection of personal information as well as the security measures to be taken by internet service providers.

The Standing Committee of the National People's Congress promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) on August 20, 2021, effective on November 1, 2021. According to the Personal Information Protection Law, personal information is all kinds of information, recorded by electronic or other means, related to identified or identifiable natural persons, not including information after anonymization handling. The principles of legality, propriety, necessity, and sincerity shall be observed for personal information handling. Moreover, the Personal Information Protection Law specified rules for handling sensitive personal information, which means personal information that, once leaked or illegally used, may easily cause infringement of the dignity of natural persons or harm to personal or property security, including information on biometric characteristics, financial accounts and individual location tracking, and the personal information of minors under the age of 14. Personal information handlers shall bear responsibility for their personal information handling activities, and adopt the necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered to correct or suspend or terminate the provision of services and be subject to confiscation of illegal income, fines or other penalties. Any personal information processor outside the territory of the PRC that processes the personal information of natural persons located within the PRC territory under any of the circumstances set forth in the Personal Information Protection Law shall establish a special agency or designate a representative within the territory of the PRC to be responsible for handling matters relating to personal information protection. Where a personal information processor needs to provide personal information outside the territory of the PRC due to business or other needs, it shall meet one of the conditions prescribed by the Personal Information Protection Law, such as passing a security evaluation organized by the Cyberspace Administration of China, or other conditions prescribed by laws, administrative regulations or the Cyberspace Administration of China. Where an overseas organization or individual engages in personal information processing activities infringing upon the personal information rights and interests of PRC citizens or endangering the national security and public interests of the PRC, the Cyberspace Administration of China may include such organization or individual in the list of subjects to whom provision of personal information is restricted or prohibited, announce the same, and take measures such as restricting or prohibiting provision of personal information to such organization or individual.

Regulations Relating to Taxation

Regulations on Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) was issued by the Standing Committee of the National People's Congress in 2007 and most recently amended on December 29, 2018. The Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) were issued by the State Council in 2007 and were amended on April 23, 2019. According to these regulations, taxpayers consist of resident enterprises and non-resident

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enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with the PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or *de facto* control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual or *de facto* control entity is located outside the PRC, but (i) have entities or premises in the PRC, or (ii) have no entities or premises but have income generated from China. According to the Enterprise Income Tax Law, foreign-invested enterprises in the PRC are generally subject to a uniform enterprise income tax rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC must pay enterprise income tax at a rate of 25% on its income that is derived from such establishment or premises inside the PRC and that is sourced outside the PRC but is actually connected with the said establishment or premises. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Enterprises that are recognized as high and new technology enterprises in accordance with the Administrative Measures for the Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》), issued by the Ministry of Science, the Ministry of Finance and the State Administration of Taxation on April 14, 2008 and last amended on January 29, 2016, effective January 1, 2019, are entitled to enjoy a preferential enterprise income tax rate of 15%. The validity period of the high and new technology enterprise qualification shall be three years from the date of issuance of the certificate of high and new technology enterprise. An enterprise can re-apply for such recognition as a high and new technology enterprise before or after the previous certificate expires.

On February 3, 2015, the State Administration of Taxation issued the Announcement on Several Issues Concerning Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or SAT Circular 7. SAT Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities' scrutiny of, indirect transfers by a non-resident enterprise of PRC taxable assets, which include assets of organizations and premises in the PRC, immovable property in the PRC and equity investments in PRC resident enterprises. For instance, if a non-resident enterprise transfers equity interest in an overseas holding company that directly or indirectly holds certain PRC taxable assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, SAT Circular 7 allows the Chinese tax authorities to reclassify the indirect transfer of PRC taxable assets into a direct transfer and therefore impose PRC enterprise income tax at a rate of a 10% on the non-resident enterprise. On the other hand, indirect transfers falling into the scope of the safe harbors under SAT Circular 7 are not subject to PRC tax under SAT Circular 7. The safe harbors include qualified group restructurings, public market trades and exemptions under tax treaties or arrangements.

The State Administration of Taxation issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《關於非居民企業所得稅源泉扣繳有關問題的公告》), or SAT Circular 37, which took effect on December 1, 2017 and was amended on June 15, 2018. According to SAT Circular 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount of equity transfer income.

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Under SAT Circular 7 and the Law on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) issued by the Standing Committee of the National People's Congress in 1992 and last amended on April 24, 2015, in the case of an indirect transfer, entities or individuals that are obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to make withholding or withhold the full amount of tax payable, the transferor of equity must declare and pay tax to the tax authorities in charge within seven days from the occurrence of the tax payment obligation. Where the withholding agent does not make withholding, and the transferor of equity does not pay the payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty of ranging from 50% to 300% of the unpaid tax on them. The penalty imposed on the withholding agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

Regulations on Dividend Tax

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which took effect on February 20, 2009, all of the following requirements must be satisfied to enjoy the preferential tax rates provided under the tax agreements: (1) the tax resident that receives dividends should be a company as provided in the tax agreement; (2) the equity interest and voting shares of the PRC resident company directly owned by the tax resident satisfy the percentages specified in the tax agreement; and (3) the equity interest of the PRC resident company directly owned by such tax resident at any time during the 12 months prior to receiving the dividends satisfy the percentage specified in the tax agreement.

The Enterprise Income Tax Law provides that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and other applicable jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), issued by the State Administration of Taxation in 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from the in-charge tax authority. However, based on the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the Announcement of Taxation on Issues Relating to “Beneficial Owner” in Tax Treaties by the State Administration

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of Taxation (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), effective from April 1, 2018, to determine the “beneficial owner” status of a resident of the treaty counterparty seeking to enjoy tax treaty benefits, a comprehensive analysis must be carried out in accordance with the factors set out in the announcement.

On August 27, 2015, the State Administration of Taxation issued the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《非居民納稅人享受稅收協定待遇管理辦法》), which was amended on June 15, 2018. The announcement was repealed by the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), which was propagated on October 14, 2019 and took effect on January 1, 2020. Under such announcement, non-resident taxpayers meeting conditions for enjoying the convention treatment may be entitled to the convention treatment themselves when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities. Such taxpayers who make their own declaration must self-assess whether they are entitled to tax treaty benefits, make truthful declarations and submit the relevant reports, statements and materials required by the relevant tax authorities.

Regulations on Value-added Tax

All entities and individuals engaged in the sale of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax, or VAT, in accordance with the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) and its implementation rules. The Provisional Regulations on VAT were issued by the State Council in 1993 and last amended on November 19, 2017. The regulations applicable to VAT were further amended by the Notice of Adjustment of VAT Rates (《關於調整增值稅稅率的通知》), issued on April 4, 2018, and by the Notice of Strengthening Reform of VAT Policies (《關於深化增值稅改革有關政策的公告》) issued on March 20, 2019 and effective on April 1, 2019. VAT payable is calculated as “output VAT” minus “input VAT.” The rate of VAT varies from 3% to 13% depending on the product type.

Regulations Relating to Intellectual Property

Regulations on Trademark Law

Trademarks in the PRC are governed by the Trademark Law of the PRC (《中華人民共和國商標法》), last amended on April 23, 2019 and effective on November 1, 2019, and the Regulations for the Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》), last amended on April 29, 2014. The Trademark Office of the National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC and the Trademark Review and Adjudication Board of the State Administration for Market Regulation under the State Council is responsible for handling trademark disputes.

Registered trademarks in the PRC refer to trademarks that have been approved and registered by the Trademark Office, including commodity trademarks, service trademarks, collective marks and certification marks. A trademark registrant will enjoy an exclusive right to use the trademark, which will be protected by

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laws and regulations. Any visible mark in the form of word, graphic, alphabet, number, 3D (three-dimension) mark, color combination or the combination of these elements that can distinguish the commodities of the natural person, legal person or other organizations from those of others can be registered as a trademark. A trademark for which an application is filed for registration must be distinctive to be distinguishable, and may not go against the legitimate rights previously obtained by others. A trademark registrant is entitled to include the words “Registered Trademark” or a sign indicating that it is registered.

Any of the following acts will be an infringement upon the right to exclusive use of a registered trademark: (1) using a trademark that is identical to a registered trademark on the same kind of commodities without a license from the registrant of the registered trademark; (2) using a trademark that is similar to a registered trademark on the same kind of commodities, or using a trademark that is identical or similar to the registered trademark on similar goods without a license from the registrant of the registered trademark, if the use is likely to cause confusion; (3) selling commodities that infringe upon the right to exclusive use of a registered trademark; (4) counterfeit or unauthorized production of the label of another’s registered trademark, or sale of any such label that is counterfeited or produced without authorization; (5) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; (6) providing, intentionally, facilitation for activities infringing upon others’ exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (7) causing other damage to the right to exclusive use of a holder of a registered trademark. In the event of infringement of the registered trademark above that leads to disputes, the parties concerned may settle such disputes through negotiations; if no negotiation is prospective or fails, the trademark registrant or any interested party may file a lawsuit before the People’s Court or request the administrative department for market regulation for handling.

Regulations on Patent Law

Patents in the PRC are mainly protected under the Patent Law of the People’s Republic of China (《中華人民共和國專利法》), which was issued by the Standing Committee of the National People’s Congress in 1984 and last amended on October 17, 2020, effective on June 1, 2021, and Implementation Rules of the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》), which were promulgated by the State Council in 2001 and last amended on January 9, 2010. Draft amendments to the Implementation Rules of the Patent Law are currently under review. The Patent Law and its implementation rules provide for three types of patents: “invention,” “utility model” and “design.” “Invention” refers to any new technical solution relating to a product, a process or improvement thereof; “utility model” refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and “design” refers to any new design of the whole or partial shape, pattern, color or the combination of any two of them, of a product, that creates an aesthetical feeling and is suitable for industrial application. Invention patents are valid for 20 years, while design patents and utility model patents are valid for 15 years and 10 years, respectively, each calculated from the date of application. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

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If a dispute arises due to patent infringement, the dispute must be settled through consultation involving both parties. If one or both parties are unwilling to submit to consultation, or if the consultation fails, then the patentee or any interested party may initiate legal proceedings in the People's Court, or request the patent administrative department to handle the matter.

Regulations on Domain Names

Domain names are protected under the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》), issued by the Ministry of Industry and Information Technology on August 24, 2017 and effective as of November 1, 2017. It regulates efforts to undertake internet domain name services as well as the operation, maintenance, supervision and administration thereof and other relevant activities within the territory of the PRC. A person that has domain name root servers, an institution for operating domain name root servers, a domain name registry and a domain name registrar operating within the territory of the PRC must obtain a permit for this purpose from the Ministry of Industry and Information Technology or the relevant communications administration of the local province, autonomous region or municipality. Domain name owners must register their domain names, and the Ministry of Industry and Information Technology is in charge of the administration of PRC internet domain names. In the case of infringement, the telecommunications authority will take measures to stop the infringer and give it a warning or impose a fine of more than RMB10,000 but less than RMB30,000 depending on the seriousness of the case.

Regulations on Copyright and Software Products

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》), which took effect in 1991 and was most recently amended on November 11, 2020, and the related Implementing Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》), which was issued by the State Council on August 2, 2002 and most recently amended on January 30, 2013. The next amendment to the Copyright Law took effect on June 1, 2021. Under the Copyright Law of the PRC and the related Implementing Regulations of the Copyright Law of the PRC, works of Chinese citizens, legal persons or other organizations, whether published or not, enjoy copyright in their works, which include works of literature, art, architectural works, natural science, social science, graphic works and model works such as engineering design plan, product design plan, map, schematic diagram and computer software. The term of protection for copyrighted software is 50 years.

Similarly, under the Computer Software Protection Regulations (《計算機軟件保護條例》) last amended on January 30, 2013 and became effective on March 1, 2013, Chinese citizens, legal persons and other organizations shall enjoy copyright on the software they develop, regardless of whether the software has been released publicly. Software copyright commences from the date on which the development of the software is completed. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items. The protection period for software copyright of a legal person or other organizations shall be fifty years, concluding on December 31 of the fiftieth year after the software's initial release.

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Regulations Relating to Labor

Regulations on Labor Contract

The main PRC employment laws and regulations applicable to us include the Labor Law (《中華人民共和國勞動法》), the Labor Contract Law (《中華人民共和國勞動合同法》), the Implementing Regulations on the Labor Contract Law of the PRC and other relevant laws and regulations.

The Labor Law was last amended on December 29, 2018. Under the Labor Law, employers shall enter into employment contracts with their employees based on the principles of equality, consent and agreement through consultation. Wages will be paid based on the policy of performance, equal pay for equal work, lowest wage protection and special labor protection for female workers and juvenile workers. The Labor Law also requires employers to establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Employers are also required to pay their employees' social insurance premiums.

The Labor Contract Law was last amended on December 28, 2012 and took effect on July 1, 2013. Under the Labor Contract Law and its implementing regulations, enterprises established in the PRC shall enter into employment agreements with their employees to provide for the term of employment, job duties, work time, holidays and statutory payments, labor protection, working condition and occupational hazard prevention and protection and other essential contents. Both employers and employees will duly perform their duties. The Labor Contract Law also provides for the scenario of rescission and termination. Except for certain situations explicitly stipulated in the Labor Contract Law that are not subject to economic compensation, economic compensation shall be paid to the employee by the employer for the rescission or termination of the employment agreement.

Regulations on Social Insurance and Housing Funds

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was last amended on December 29, 2018, the PRC established social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. Employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. Employers must apply for completion of social security registration with the local social security agency within 30 days from the date of incorporation with their business license, registration certificate or corporation seal. Employers that fail to complete social security registration will be ordered by the social security administrative authorities to make correction within a stipulated period; where correction is not made within the stipulated period, the employers will be subject to fines ranging from one to three times the amount of the payable social security premiums, and the person(s)-in-charge who is/are directly accountable and other directly accountable personnel will be subject to fines ranging from RMB500 to RMB3,000. If an employer does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution will order it to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent

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to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department will impose a fine from one to three times the amount of overdue payment.

Pursuant to the Regulations on the Administration of Housing Funds (《住房公積金管理條例》) last amended on March 24, 2019, employers must complete housing funds registration with local housing fund administration centers and open housing fund accounts for their employees in the bank. Employers must, within 30 days from their date of establishment, go through housing funds registration with local housing fund administration centers and complete housing fund account establishment procedures for employees with the examination and approval documents of the housing fund management center within 20 days from completion of registration. The contribution rate of housing funds of an employee and employer may not be less than 5% of the monthly average salary in the previous year, and cities with good conditions may properly raise the contribution rate. Employers are required to pay and deposit housing funds on behalf of their employees in full and in a timely manner, and any employer that fails to open such bank account or contribute housing funds may be fined and ordered to make payment within a prescribed time limit. If the employer still fails to do so, the housing fund administration center may apply to the court for enforcement of the unpaid amount.

Pursuant to the Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) issued on March 6, 2019, maternity insurance and basic medical insurance for employees will be consolidated. On July 20, 2018, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》). Under this plan, tax authorities are responsible for the collection of social insurance contributions in the PRC beginning from January 1, 2019.

Pursuant to the Interim Measures for Participation in Social Insurance by Hong Kong, Macao and Taiwan Residents in the Mainland, which was promulgated by the Ministry of Human Resources and Social Security (《香港澳門台灣居民在內地(大陸)參加社會保險暫行辦法》) on November 29, 2019, effective on January 1, 2020, employers registered in mainland China shall contribute basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for Hong Kong, Macao and Taiwan residents who are employed or recruited by them.

Regulations Relating to Foreign Exchange

Regulation on Foreign Currency Exchange

The principal law governing foreign currency exchange in the PRC is the Foreign Exchange Administration Regulations of the PRC. The Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》), most recently amended on August 5, 2008, stipulates that Renminbi is freely convertible into other currencies for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. However, it is not freely convertible for

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capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless prior approval is obtained from the State Administration of Foreign Exchange, or its local branch, and prior registration with the State Administration of Foreign Exchange is made.

Pursuant to the Regulation of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), promulgated by the People's Bank of China and effective on July 1, 1996, foreign-invested enterprises may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial supporting documents and, in the case of capital account item transactions, obtaining approvals from the State Administration of Foreign Exchange or its local counterpart. Foreign-invested enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. However, foreign exchange transactions involving overseas direct investment or investment and exchange in securities and derivative products abroad are subject to registration with the State Administration of Foreign Exchange and approval from or filing with the relevant PRC government authorities.

The Notice on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign Invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), issued by the State Administration of Foreign Exchange and most recently amended on December 30, 2019, further expanding the extent of convertibility under direct investment. It stipulates that the use of capital funds and exchange settlement funds by foreign-invested enterprises will be subject to foreign exchange management regulations and the implementation of negative list management.

On June 9, 2016, the State Administration of Foreign Exchange promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》). It unifies the Discretionary Foreign Exchange Settlement for all the domestic institutions. The Discretionary Foreign Exchange Settlement refers to foreign exchange capital in the capital account that has been confirmed by the relevant policies subject to the Discretionary Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) and which can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Violations of the circulars of the State Administration of Foreign Exchange could result in administrative penalties under the Regulations of the PRC on Foreign Exchange Control and relevant provisions. Furthermore, it stipulates that the use of foreign exchange income of capital accounts of foreign-invested enterprises must follow the principles of authenticity and self-use within the business scope of enterprises. Foreign exchange income of capital accounts and capital in Renminbi obtained by foreign-invested enterprises from foreign exchange settlement may not be directly or indirectly used for the following purposes: (i) payment outside of the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) investment in securities or financial schemes other than bank-guaranteed products unless otherwise provided by relevant laws and regulations; (iii) granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and (iv) construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

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On January 26, 2017, the State Administration of Foreign Exchange promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks must check board resolutions regarding profit distribution, the original versions of tax filing records and audited financial statements; and (ii) domestic entities must hold income to account against previous years' losses before remitting profits. Moreover, domestic entities must make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, the State Administration of Foreign Exchange issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), or Circular 28, which cancels the restrictions on the domestic equity investment with capital of non-investment foreign-invested enterprises, including the capital obtained from foreign exchange settlement. Such investments should be real and should be in compliance with the relevant laws, regulations and rules, including the provisions of the 2021 Negative List. In addition, it stipulates that qualified enterprises in certain pilot areas may use their capital income from capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments.

On April 10, 2020, the State Administration of Foreign Exchange issued the Notice on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》). It stipulates that on the premise of ensuring the true and compliant use of funds and compliance with the existing regulations on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction. The authority to process the deregistration of qualified overseas loans under domestic guarantee and overseas lending shall be delegated to banks.

Regulations on Dividend Distribution

Pursuant to the laws and regulations on foreign investment, wholly foreign-owned enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in China must allocate at least 10% of their respective accumulated after-tax profits each year, after making up previous years' accumulated losses each year, if any, to fund certain statutory reserve funds until these reserves have reached 50% of the registered capital of the enterprises. A PRC company may not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. These reserves are not distributable as cash dividends. According to the Rules on the Accounting of Financial Enterprises released by the Ministry of Finance, financial enterprises shall allocate general risk reserves prior to the distribution of dividends.

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Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, the State Administration of Foreign Exchange promulgated the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, for the purpose of simplifying the approval process and for the promotion of the cross-border investment. SAFE Circular 37 supersedes the Notice on Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents, and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under SAFE Circular 37, (1) PRC residents (including PRC entities and PRC individuals) must register with the local branch of the State Administration of Foreign Exchange before he or she contributes assets or equity interest in an overseas special purpose vehicle that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, PRC residents must update their SAFE registration when the offshore special purpose vehicle undergoes material events relating to any change of basic information, including change of such PRC citizens or residents' name, operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplification and Improvement of Foreign Exchange Administration on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was amended on December 30, 2019, the registrations described in the preceding paragraph must be directly reviewed and handled by qualified banks, and the State Administration of Foreign Exchange and its branches will perform indirect regulation over the foreign exchange registration through qualified banks.

Failure to comply with the registration procedures set forth in the State Administration of Foreign Exchange Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control the company from time to time are required to register with the State Administration of Foreign Exchange in connection with their investments in the company. Moreover, failure to comply with the various registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Regulations on Stock Incentive Plans

On February 15, 2012, the State Administration of Foreign Exchange promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). Individuals participating in any stock incentive plan of any overseas publicly listed company who are Chinese citizens or foreign citizens who reside in mainland China for a continuous period of not less than one year, subject to a few exceptions, are required to register with the State Administration of Foreign Exchange or its local branches and complete certain other procedures. These plan participants must also retain an overseas entrusted institution to handle matters in

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connection with their exercise of stock options, the purchase and sale of corresponding stock or interests and fund transfers. In addition, the agent in China is required to further amend the registration as required by State Administration of Foreign Exchange with respect to the stock incentive plan if there is any material change to the stock incentive plan, the mainland Chinese agent or the overseas entrusted institution or other material changes. The Chinese agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to the State Administration of Foreign Exchange or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in China opened by the Chinese agents before distribution to such PRC residents. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax in Relation to Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) promulgated by the State Administration of Taxation and effective from August 24, 2009, listed companies and their domestic organizations must, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

Regulations on Loans Between a Foreign Company and its Chinese Subsidiaries

A loan made by foreign investors as shareholders in a foreign-invested enterprise is considered to be foreign debt in the PRC and is regulated by various laws and regulations, including the Regulation on Foreign Exchange Administration of the PRC, the Interim Provisions on the Management of Foreign Debts (《外債管理暫行辦法》) promulgated by the State Administration of Foreign Exchange, the National Development and Reform Commission and the Ministry of Finance and most recently amended on July 26, 2022, the Administrative Measures for Registration of Foreign Debts (《外債登記管理辦法》) promulgated by the State Administration of Foreign Exchange and amended on May 4, 2015, and the Notice of the People's Bank of China on Matters Concerning the Prudent Macro Management of All Cross-Border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) promulgated on January 11, 2017. Under these rules, a shareholder loan in the form of foreign debt made to a Chinese entity does not require the prior approval of the State Administration of Foreign Exchange. However, such foreign debt must be registered with and recorded by the State Administration of Foreign Exchange or its local branches. Circular 28 provides that a non-financial enterprise in the pilot areas may register the permitted amounts of foreign debts, which is as twice of the non-financial enterprise's net assets, at the local foreign exchange bureau. Such non-financial enterprise may borrow foreign debts within the permitted amounts and directly handle the relevant procedures in banks without registration of each foreign debt. However, the non-financial enterprise should report its international income and expenditure regularly.

Regulations Relating to Outbound Direct Investment

The Administrative Measures on Overseas Investments (《企業境外投資管理辦法》) was promulgated by the National Development and Reform Commission and took effect on March 1, 2018. Pursuant to it, non-sensitive overseas investment projects are required to make record filings with the local branch of the National Development and Reform Commission. On September 6, 2014, the Ministry of Commerce promulgated the Administrative Measures on Overseas Investments (《境外投資管理辦法》), which took

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effect on October 6, 2014. According to this regulation, overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries must make record filings with a local branch of Ministry of Commerce. The Notice of State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) was issued by the State Administration of Foreign Exchange in 2012 and last amended on December 30, 2019, under which PRC enterprises must register for overseas direct investment with local banks. The shareholders or beneficial owners who are PRC entities are required to be in compliance with the related overseas investment regulations. If they fail to complete the filings or registrations required by overseas direct investment regulations, the relevant authority may order them to suspend or cease the implementation of such investment and make corrections within a specified time.

Regulations Relating to M&A Rules and Overseas Listing

On August 8, 2006, six PRC regulatory agencies, including Ministry of Commerce, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the State Administration for Market Regulation, the China Securities Regulatory Commission and the State Administration of Foreign Exchange, issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which was amended on June 22, 2009. Foreign investors are subject to the M&A Rules when they purchase equity interest of a domestic company or subscribe for the increased capital of a domestic company that changes a domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets via such foreign-invested enterprise; or when the foreign investors purchase the assets of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the China Securities Regulatory Commission prior to publicly listing their securities on an overseas stock exchange. The M&A Rules also provide that if a PRC entity or individual plans to merge or acquire its related PRC entity through an overseas company legitimately incorporated or controlled by such entity or individual, such a merger or acquisition shall be subject to examination and approval by the Ministry of Commerce.

The M&A Rules and other recently adopted regulations and rules concerning mergers and acquisitions also establish additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand.

On July 6, 2021, the PRC government authorities issued the Opinions on Strictly Scrutinizing Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the need to strengthen the administration over illegal securities activities and the

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supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On December 27, 2021, the National Development and Reform Commission and the Ministry of Commerce jointly issued the 2021 Negative List, which became effective on January 1, 2022. Pursuant to that, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company's operation and management, and their shareholding percentage shall be subject, *mutatis mutandis*, to the relevant regulations on the domestic securities investments by foreign investors.

On February 17, 2023, the CSRC released a set of regulations consisting of 6 documents, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), or the Trial Measures, and 5 supporting guidelines (5項配套指引), collectively, the Filing Measures, which will come into effect on March 31, 2023. The Filing Measures establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. According to the Filing Measures, the overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. The overseas offering or listing shall be considered as an indirect overseas offering and listing by a domestic enterprise, if the issuer meets both of the following conditions: (i) the operating revenue, gross profit, total assets, or net assets of the domestic operating entities in the most recent fiscal year accounts more than 50% of the relevant line item in the issuer's audited consolidated financial statement for that year; and (ii) the business operation is mainly carried out in the PRC or the main places of business are located in the PRC, or senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC. The determination of an indirect offering and listing will be conducted on a "substance over form" basis.

According to the Trial Measures, an overseas offering and listing is prohibited under any of the following circumstances: (i) if the intended securities offering and listing is specifically prohibited by national laws and regulations and relevant provisions; (ii) if the intended securities offering and listing constitutes dangers to national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy; (iv) if the domestic enterprise is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached; or (v) if there are material ownership disputes over the equity held by the controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

The Filing Measures, among others, require the issuer or its main operational entity in the PRC to: (i) file with the CSRC for its initial public offering or listing within three working days after the submission of listing application documents outside mainland China; (ii) file with the CSRC for its follow-on securities

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offerings in the same offshore market within three working days after the completion of such offerings; (iii) file with the CSRC for its offerings or listing in offshore stock market other than the stock market of its initial public offering or listing within three working days after the submission of offering application outside mainland China; (iv) report material events to the CSRC within three working days after the occurrence and announcement of such events, including, among other things, the change of control, investigation or penalties imposed by relevant authorities, the conversion of listing status or the transfer of listing board.

On February 17, 2023, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that (1) the domestic companies that have already been listed overseas before the effective date of the Trial Measures (i.e., March 31, 2023) shall be deemed as existing applicants (存量企業) (the “**Existing Applicants**”). Existing applicants are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as pass of hearing for listing in Hong Kong or the effectiveness of registration statement for listing in the United States), but have not completed the indirect overseas listing; if such domestic companies complete their overseas offering and listing within such six-month period (i.e., before September 30, 2023), they will be deemed as Existing Applicants. Within such six-month transition period, however, if such domestic companies need to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as being required to go through a new hearing procedure in Hong Kong), or if they fail to complete their indirect overseas issuance and listing, such domestic companies shall complete the filing procedures with the CSRC within three business days after submitting valid applications for overseas offering and listing; (3) for applicants who have received approval from the CSRC for a direct overseas listing, they may continue to pursue the overseas listing during the validity period of the approval. Those who have not completed the overseas issuance and listing upon the expiry of the approval period should file the application as required; and (4) for the overseas listing of companies with contractual arrangements (i.e., VIE structure), the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with these domestic companies which duly meet their compliance requirements, and support their development and growth by enabling them to utilize both markets and their resources.

Furthermore, non-compliance with the Trial Measures or an overseas listing completed in breach of the Trial Measures may result in (i) relevant domestic companies being required to correct the illegal behavior, and a warning and a fine of RMB1 million to RMB10 million imposed on the them; (ii) a warning and a fine of RMB500,000 to RMB5,000,000 imposed on the directly responsible supervisors and other directly responsible person; (iii) if the controlling shareholder or actual controller of the domestic enterprise organizes or incites the aforesaid illegal acts, a fine of RMB1 million to RMB10 million shall be imposed on them, and a fine of RMB500,000 to RMB5,000,000 shall be imposed on the directly responsible supervisors and other directly responsible person.

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On February 24, 2023, the CSRC, jointly with other relevant governmental authorities, promulgated the revised Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and Listing by Domestic Enterprises, or the Confidentiality and Archives Management Provisions, and upon becoming effective on March 31, 2023, such provisions will supersede the currently effective Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing. According to the Confidentiality and Archives Management Provisions, domestic companies, whether offering and listing securities overseas directly or indirectly, must strictly abide by the applicable laws and regulations, enhance the sense of confidentiality, improve the archives management system, and take necessary measures to implement the confidentiality and archive management responsibilities when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities services providers such as securities companies and accounting firms or overseas regulators in the process of their overseas offering and listing. In the event that such documents or materials contain any information related to state secrets or governmental authorities work secrets, domestic companies must obtain the approval from competent governmental authorities according to the applicable laws, and file with the secrecy administrative department at the same level with the approving governmental authority; and in the event that such documents or materials, if divulged, will jeopardize national security or public interest, domestic companies should strictly fulfill relevant procedures stipulated by applicable laws and regulations. Furthermore, domestic companies should also provide a written statement about whether they have completed the approval or filing procedures as above when providing documents and materials to securities companies and securities service providers, and the securities companies and securities service providers should properly retain such written statements for inspection. Securities companies and securities service providers shall also fulfill the applicable legal procedures according to the Confidentiality and Archives Management Provisions when providing overseas regulatory institutions and other relevant institutions and individuals with documents or materials containing any state secrets or governmental authorities work secrets or other documents or materials that, if divulged, will jeopardize national security or public interest.

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OVERVIEW

The history of our retail credit and enablement business dates back to August 2005, when Ping An Group launched a consumer loan business in Shenzhen, China.

In 2014, we underwent a series of reorganizations to further the strategic development of our business and incorporated Lufax Holding Ltd as an exempted company under the laws of the Cayman Islands in December 2014 to act as the holding company for our corporate group. In May 2016, we acquired our retail credit and enablement business from Ping An Group.

Prior to our initial public offering in the United States, we carried out three rounds of equity financing, the first two in 2015 and 2016, and the third one with separate closings in 2018 and 2019. In addition, we issued automatically convertible promissory notes and optionally convertible promissory notes in 2020. On October 30, 2020, the ADSs representing our ordinary shares commenced trading on NYSE under the symbol “LU.”

KEY BUSINESS MILESTONES

The following is a summary of our key business development milestones in our history:

Year	Event
2005	Launched our retail credit and enablement business when Ping An Group started a consumer loan business in Shenzhen, China
2011	Shanghai Lufax was established by Ping An Group as one of its online wealth management business units
2012	Launched our first online secondary trading place, <i>lufax.com</i> , offering wealth management services
2013	Launched our mobile application, <i>Lufax App</i> , on the iOS and Android platform
2014	Incorporated the Company under the laws of the Cayman Islands Chongqing Jin'an Microloan Co., Ltd. was incorporated under the laws of the PRC
2015	Expanded product offering to include fund products Launched our mobile application, <i>Puhui App</i> , on the iOS and Android platform
2016	Acquired 100% equity interests in Gem Alliance Limited and its subsidiaries (including but not limited to Ping An Puhui Enterprises Management and Ping An Puhui Financing Guarantee Co., Ltd.) Expanded operations into the retail credit and enablement business Awarded the 2016 Best Internet Financial Platform Award (2016年度最佳互聯網金融平臺獎) at the China Securities Journal Golden Bull Awards (中

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Year	Event
	<p>國證券報金牛獎), the 2016 Top Ten Cases of Fintech Innovation (2016年中國金融機構金牌榜年度十佳互聯網金融創新公司) by the Financial Times (金融時報社), and the 2016 Asian Banker’s Trading Platform Award (亞洲銀行家2016年度交易平臺) by the Asian Banker (亞洲銀行家)</p> <p>Named as the 2017 Outstanding Fintech Company (2017年度卓越金融科技公司) by the Economic Observer (經濟觀察報) and the 2017 Most Competitive Internet Wealth Management Platform (2017卓越競爭力互聯網財富管理平臺) by the China Business Journal (中國經營報)</p> <p>Awarded the 2017 Best-in-Class Risk Control Award (2017風控能力先鋒機構獎) and the 2017 Best-in-Class Fintech Award (2017科技金融先鋒機構獎) by the International Finance News (國際金融報)</p>
2019	<p>Completed our C-round financing</p> <p>Passed the CMMI Level 3 Appraisal</p>
2020	<p>We listed the ADSs on the NYSE under the symbol “LU”</p> <p>Established Ping An Consumer Finance Co., Ltd. and obtained the Financial Business Permit (金融許可證) issued by the CBIRC Shanghai Office</p>
2022	<p>Awarded the Best Inclusive Finance Project in China (中國最佳普惠金融項目) and the Annual Green Sustainable Management Platform (年度綠色可持續管理平臺) by the Asian Banker (亞洲銀行家)</p> <p>Awarded the Leading Financial Institution for SME Services of 2022 (年度中小企業服務領航金融機構) by the Economic Observer (經濟觀察報)</p> <p>Named in the China 2022 ESG 50 List by Forbes China (福布斯)</p> <p>Awarded the Sustainable Development Species Award (可持續發展物種獎) for our Janus risk decision engine by the Harvard Business Review (China edition) (哈佛商業評論)</p> <p>Awarded the Competitive Company of the Year (2022年度競爭力公司) by 21st Century Business Herald (21世紀經濟報導)</p>

OUR PRINCIPAL OPERATING SUBSIDIARIES

Set forth below are certain details of our principal subsidiaries and Consolidated Affiliated Entities which made a material contribution to our results of operations during the Track Record Period:

Name of Entity	Principal Business Activities	Place of Establishment	Date of Establishment
Gem Blazing Limited	Intermediate holding	Cayman Islands	May 28, 2015

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Name of Entity	Principal Business Activities	Place of Establishment	Date of Establishment
Wincon Hong Kong Investment Company	Intermediate holding	Hong Kong	December 29, 2014
Weikun (Shanghai) Technology	Technology advisory service	PRC	February 28, 2015
Jinjiong (Shenzhen) Technology Service Company Ltd.	Intermediate holding	PRC	October 16, 2017
Lufax (Shenzhen) Technology	Internet platform service	PRC	September 25, 2018
Gem Alliance Limited	Intermediate holding	Cayman Islands	May 26, 2015
Harmonious Splendor Limited	Intermediate holding	Hong Kong	June 1, 2015
Ping An Puhui Financing Guarantee Co., Ltd.	Financing guarantee business	PRC	December 25, 2007
Ping An Puhui Enterprises Management	Enterprise management service	PRC	July 7, 2015
Chongqing Jin'an Microloan Co., Ltd.	Microloan business ⁽¹⁾	PRC	December 25, 2014
Ping An Puhui Investment & Consulting Co., Ltd.	Investment and financial consulting service	PRC	September 5, 2005
Ping An Puhui Information Services Co., Ltd.	Information technology service	PRC	July 18, 2016
Ping An Consumer Finance Co., Ltd.	Consumer finance business	PRC	April 9, 2020
Shanghai Xionguo	Intermediate holding	PRC	December 10, 2014
Shanghai Lufax	Online wealth management information platform service	PRC	September 29, 2011
Shenzhen Lufax Enterprise Management	Intermediate holding	PRC	May 23, 2018

Note:

- (1) As of the Latest Practicable Date, Chongqing Jin'an Microloan Co., Ltd. was not involved in any business.

MAJOR SHAREHOLDING CHANGES OF THE COMPANY AND OUR PRINCIPAL SUBSIDIARIES

Shareholding changes of the Company

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on December 2, 2014. As of the date of our incorporation, our authorized share capital was US\$50,000

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divided into 5,000,000,000 shares of US\$0.00001 par value each, of which 4,500,000,000 shares were designated as Class A ordinary shares and 500,000,000 shares were designated as Class B ordinary shares.

Class A Ordinary Shares

On the date of our incorporation, the Company issued 949,999,999 Class A ordinary shares, among which (i) 173,744,732 Class A ordinary shares to Lanbang Investment Company Limited, (ii) 280,705,464 Class A ordinary shares to Tongjun Investment Company Limited, (iii) 20,644,803 Class A ordinary shares to Linzhi Jinsheng Investment Company Limited, and (iv) 474,905,000 Class A ordinary shares to An Ke Technology, for a nominal consideration in connection with our corporate restructuring to mirror the then-shareholding structure in Shanghai Lufax.

As part of a reorganization, we acquired 40% equity interest in each of Ping An Jixin (Shanghai) Investment Management Co., Ltd. and Chongqing Chongjinsuo in 2018. Upon the completion of the transaction, we issued 22,146,871 Class A ordinary shares to Honor Reliance Development Limited, for a nominal consideration on June 12, 2018. Ping An Jixin (Shanghai) Investment Management Co., Ltd., Chongqing Chongjinsuo and Honor Reliance Development Limited are all controlled by the same person.

Class B Ordinary Shares

On March 23, 2015 and January 15, 2016, the Company issued a total of 73,124,858 Class B ordinary shares for a total consideration of US\$776.6 million to our A-round investors, namely, Key Horizon Limited, CDH Merivale Limited, Fintech Investment Co. Ltd., Sino Delightful Holdings Limited, Ease Run Global Limited, Fung Shing Investments Ltd., Excelwit Investments Limited, Guosheng Internet Investment L.P. and Union Expert Investment Holding Limited.

On January 15, 2016, the Company issued a total of 62,071,988 Class B ordinary shares for a total consideration of approximately US\$924 million to our B-round investors, namely, Bank of China Group Investment Limited, Chia Tai Bright Enterprise Limited, Spectron Enterprises Limited, Magic Continent Limited, CMBC International Holdings Limited, Country Garden Holdings Company Limited, Guotai Junan Finance (Hong Kong) Limited, Guosheng Internet Investment L.P., Lu Hu Investment Company Limited and Fung Shing Investments Ltd.

Convertible Promissory Notes Issued to Ping An Overseas Holdings and An Ke Technology

In October 2015, in connection with our acquisition of the retail credit and enablement business from Ping An Insurance, we issued the Ping An Convertible Promissory Notes with the outstanding principal amount of US\$1,953.8 million. The acquisition was consummated in May 2016. In October 2015, Ping An Overseas Holdings agreed to transfer US\$937.8 million of the outstanding principal amount of the Ping An Convertible Promissory Notes and all rights, benefits and interests attached thereunder to An Ke Technology.

In December 2022, the Company, Ping An Overseas Holdings and An Ke Technology entered into an amendment and supplemental agreement to amend the terms of the Ping An Convertible Promissory Notes (the “**Amendment and Supplemental Agreement**”), pursuant to which (i) the parties agreed to extend the

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maturity date from October 8, 2023 to October 8, 2026 and the commencement date of the conversion period from April 30, 2023 to April 30, 2026 for the remaining 50% outstanding Ping An Convertible Promissory Notes, and (ii) 50% of the outstanding principal amount of the Ping An Convertible Promissory Notes shall be deemed redeemed from the effective date of the Amendment and Supplemental Agreement. In consideration of the above redemption and the extension of the maturity date and taking into account the fair market value of the Ping An Convertible Promissory Notes determined by the independent valuers, pursuant to the Amendment and Supplemental Agreement, the Company agreed to pay Ping An Overseas Holdings and An Ke Technology a total amount of US\$1,071.1 million (the “**Consideration**”) together with the unpaid interest accrued on the redeemed notes up to and including the effective date of the Amendment and Supplemental Agreement. The first tranche payment of the Consideration in the total amount of US\$535.5 million was paid in December 2022 and the second tranche payment of the Consideration in the total amount of approximately US\$535.6 million was paid in March 2023. Taking into account the dividend announced on March 13, 2023, the Ping An Convertible Promissory Notes can be converted into an aggregate of 74,402,132 ordinary shares, representing approximately 6.5% of the total issued and outstanding Shares as of the Latest Practicable Date.

A summary of the principal terms and conditions of the Ping An Convertible Promissory Notes are set out below.

Holders of the Ping An Convertible Promissory Notes	China Ping An Insurance Overseas (Holdings) Limited An Ke Technology Company Limited
Issuance date of the Ping An Convertible Promissory Notes	October 8, 2015
Outstanding principal amount of the Ping An Convertible Promissory Notes	US\$507,988,000.00 for the convertible promissory note issued to China Ping An Insurance Overseas (Holdings) Limited US\$468,912,000.00 for the convertible promissory note issued to An Ke Technology Company Limited
Interest and interest payment dates	The Ping An Convertible Promissory Notes will bear interest from October 8, 2015 at the rate of 0.7375% per annum of the principal amount of the Ping An Convertible Promissory Notes outstanding from time to time, payable by the Company semiannually until the maturity date.
Maturity date	The eleventh anniversary of the issuance date of the Ping An Convertible Promissory Notes (<i>i.e.</i> , October 8, 2026)
Transferability	The Ping An Convertible Promissory Notes or any part(s) thereof may be assigned or transferred to any third party subject to compliance of certain conditions, including, among others, (a) the execution of a form of transfer substantially in the agreed form annexed to the Ping An Convertible Promissory Notes, and (b) that

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the Ping An Convertible Promissory Notes must be delivered for cancelation to the Company accompanied by a duly executed form of transfer.

Conversion period

The period commencing on April 30, 2026 until the date which is five (5) business days before (and excluding) the maturity date (*i.e.*, October 8, 2026).

Conversion right

The holders of the Ping An Convertible Promissory Notes shall have the right to convert the whole or any part of the outstanding principal amount of the Ping An Convertible Promissory Notes into certain number of the ordinary shares of the Company (“**Conversion Shares**”) at any time during the conversion period at the initial conversion price of US\$14.8869 per share, subject to certain adjustments (“**Conversion Price**”), primarily including adjustments for (i) any consolidation or subdivision of Shares, (ii) any issuance of Shares to the shareholders by way of capitalization of profits or reserves, (iii) any capital distributions made to shareholders, (iv) certain issuance of Shares, or certain grant of options, warrants or other rights to purchase any Shares, to shareholders at a price less than the current market price, (v) any issuance of any securities (other than Shares or options, warrants or other rights to purchase Shares) to all or substantially all Shareholders as a class by way of rights, or any grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to purchase any securities (other than Shares or options, warrants or other rights to purchase Shares), (vi) any issuance of securities by the Company or any subsidiary, or any other person (pursuant to any arrangements with the Company or any subsidiary) in connection with an offer by or on behalf of the Company or any subsidiary or such other person, pursuant to which offer the shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them, and (vii) other events that the Company considers that it would be appropriate for an adjustment to be made to the conversion price, subject to the Guidance Letters and all relevant regulations.

Determination of the number of Conversion Shares

The number of Conversion Shares to be issued by the Company to each holder of the Ping An Convertible Promissory Notes shall be equal to the quotient of (i) the principal amount of the relevant Ping An Convertible Promissory Note divided by (ii) the Conversion Price rounded down to the nearest US\$ cent. No fraction of share shall be issued on conversion.

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Conversion Price	The initial conversion price is US\$14.8869 per share, subject to anti-dilution adjustments including, among others, any consolidation or subdivision of shares and any payment of capital distribution to the shareholders.
Redemption right	Unless previously converted or purchased and canceled, the Company will redeem the Ping An Convertible Promissory Notes at 100% of its outstanding principal amount together with accrued interest (calculated up to but including the date of redemption) on the maturity date. The holders of the Ping An Convertible Promissory Notes shall be entitled (but not obliged) to give a redemption notice to the Company in writing that the Ping An Convertible Promissory Notes are, and shall become due and payable within 30 days of receipt of such notice if an event of default occurs and the Company fails to take any remedial steps within 45 days after the receipt of the written notice served by the holders of the Ping An Convertible Promissory Notes specifying the occurrence of any of the events of defaults.

Change of Authorized Share Capital

On October 18, 2018, our authorized share capital was re-classified to US\$50,000 divided into 5,000,000,000 shares of par value of US\$0.00001 each, of which 4,000,000,000 shares were designated as Class A ordinary shares, 500,000,000 shares were designated as Class B ordinary shares, and 500,000,000 shares were designated as Class C ordinary shares.

Class C Ordinary Shares

On November 29, 2018 and January 31, 2019, we issued a total of 46,949,725 Class C ordinary shares for a total consideration of approximately US\$1,411.9 million to our C-round investors and purchasers, namely, F3 Holding LLC, DIC Holding LLC, HS Investments AP13 Limited, HS Investments (A) L.P., HS Investments (C) Limited, So Cheung Wing, Lux Holdings Limited, LionRock LJS L.P. (formerly known as LionRock Money L.P.), All-Stars PESP V Limited, Macquarie Capital Asian Fintech Investments Holdings LP, SBI Hong Kong Holdings Co., Limited, SBI AI&Blockchain Investment LPS, J.P. Morgan Securities LLC, UBS AG, London Branch, Hermitage Galaxy Fund SPC (on behalf of, Hermitage Fund Four SP), Broad Street Principal Investments L.L.C., United Overseas Bank Limited, Bangkok Bank Public Company Limited, Saber Capital (Mauritius) Limited.

C-Round Restructuring Convertible Notes

On September 30, 2020, we issued automatically convertible promissory notes and optionally convertible promissory notes (together, the “**C-Round Restructuring Convertible Notes**”) in a total principal amount of US\$1,361,925,000 to certain holders of our Class C ordinary shares in exchange for a total of 45,287,111 Class C ordinary shares held by them. These holders are F3 Holding LLC, DIC Holding LLC, HS Investments AP13 Limited, So Cheung Wing, Lux Holdings Limited, LionRock LJS L.P.,

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All-Stars PESP V Limited, Macquarie Capital Asian Fintech Investments Holdings LP, SBI Hong Kong Holdings Co., Limited, SBI AI&Blockchain Investment LPS, HS Investments (A) L.P., HS Investments (C) Limited, UBS AG, London Branch, Hermitage Galaxy Fund SPC (on behalf of Hermitage Fund Four SP), Broad Street Principal Investments L.L.C., United Overseas Bank Limited, Saber Capital (Mauritius) Limited, Rajendra Singh 2011 Florida Trust FBO Hersh Raj Singh, Rajendra Singh 2011 Florida Trust FBO Samir Raj Singh, LMA SPC for the account of Map 248 Segregated Portfolio, Aaron Nieman, Blaine Marder, J.P. Morgan Securities LLC and Generation Growth Investors Limited.

The automatically convertible promissory notes (the “**Automatically Convertible Notes**”) were mandatorily and automatically converted into our ordinary shares upon the closing of our initial public offering in the U.S. in November 2020. The number of ordinary shares issued to the holder of Automatically Convertible Note(s) upon the automatic conversion were determined by dividing the outstanding principal amount of Automatically Convertible Note(s) by the price per ordinary share issued by us in our initial public offering in the U.S. in November 2020, subject to adjustments. The Automatically Convertible Notes bear interest from (and excluding) the date of issuance at the rate of 6% per annum of the principal amount outstanding, which were payable by us upon the conversion of the notes at the closing of our initial public offering in the U.S. in November 2020.

Pursuant to the optionally convertible promissory notes (the “**Optionally Convertible Notes**”), at any time during the period commencing on the closing of our initial public offering in the U.S. in November 2020 and ending on the business day immediately prior to September 30, 2023, the holder of Optionally Convertible Note(s) shall have the right (but not the obligation) to convert all or any portion of the outstanding principal amount of the Optionally Convertible Note(s) into ordinary shares and at any time during the period commencing on the first anniversary of the closing of our initial public offering in the U.S. (i.e., November 3, 2021) and ending on the business day immediately prior to September 30, 2023, we shall have the right (but not the obligation) to require the holders to convert all (but not less than all) of the outstanding principal amount of Optionally Convertible Note(s) into ordinary shares, so long as the closing price of the ADSs representing the ordinary shares during a specified period of time is at least 125% of approximately US\$30.07 per ordinary share. The conversion price for the Optionally Convertible Notes is approximately US\$30.07 per ordinary share, subject to adjustments, and, taking into account the dividend announced on March 13, 2023, the Optionally Convertible Notes can be converted into an aggregate of 44,495,717 ordinary shares, representing approximately 3.9% of the total issued and outstanding Shares as of the Latest Practicable Date. The Optionally Convertible Notes bear interest from (and excluding) the date of issuance at the rate of 6% per annum of the principal amount outstanding, which will be payable by us upon each of the first and second anniversary of date of issuance as well as the earlier of September 30, 2023 or the date(s) of conversion until the notes become fully repaid or converted.

As of December 31, 2022, the outstanding principal amount of the Optionally Convertible Notes amounted to RMB8,062.4 million.

Immediately prior to the completion of our initial public offering in the U.S. in November 2020, our authorized share capital increased to US\$100,000 divided into 10,000,000,000 shares of US\$0.00001 par value each, and (i) all of our issued and outstanding Class B ordinary shares and Class C ordinary shares were automatically converted into 136,859,460 Class A ordinary shares on a one-for-one basis, (ii) the remaining authorized and unissued Class B ordinary shares and Class C ordinary shares were re-designated

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and re-classified into Class A ordinary shares, (iii) all of the then issued and outstanding Class A ordinary shares and the remaining authorized and unissued Class A ordinary shares were re-designated and reclassified into ordinary shares on a one-for-one basis.

For subsequent shareholding changes of the Company, see “Statutory and General Information—A. Further Information about the Company and Our Subsidiaries—2. Changes in share capital of the Company” in Appendix IV to this document.

Shareholding changes of our principal subsidiaries

For details of the changes in shareholding in our principal subsidiaries, see “Statutory and General Information—A. Further Information about the Company and Our Subsidiaries—3. Changes in the share capital of our subsidiaries” in Appendix IV to this document.

COMPLIANCE WITH GUIDANCE LETTER

Based on the documents provided by the Company relating to the Ping An Convertible Promissory Notes and the Optionally Convertible Notes, the Joint Sponsors confirm that the Ping An Convertible Promissory Notes and the Optionally Convertible Notes are in compliance with Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

In order to expand our business into the retail credit market, the Company acquired the entire issued share capital of Gem Alliance Limited, an investment holding company incorporated in the Cayman Islands that is principally engaged in retail credit and enablement business in the PRC through its wholly-owned subsidiaries, including Ping An Puhui Enterprises Management. For further details on the business of Ping An Puhui Enterprises Management, see the sections headed “Business—Our Business Model” in this listing document.

The Company acquired the entire issued share capital of Gem Alliance Limited from Ping An Overseas Holdings, the Controlling Shareholder, by entering into a share purchase agreement with Ping An Overseas Holdings dated August 27, 2015 and issuing convertible promissory notes as consideration to Ping An Overseas Holdings in October 2015, which were further transferred to An Ke Technology in October 2015. For details of the convertible promissory notes, see the paragraph headed “—Major Shareholding Changes of the Company and our Principal Subsidiaries—Shareholding changes of the Company—Convertible Promissory Notes Issued to Ping An Overseas Holdings and An Ke Technology” in this section. The consideration was determined based on arm’s length negotiation among the parties with reference to, amongst other things, the financial conditions, business prospects and market position of Gem Alliance Limited and its subsidiaries. The acquisition was properly and legally completed and settled on May 31, 2016. Ping An Puhui Enterprises Management and its wholly-owned subsidiaries have since then become wholly-owned subsidiaries of the Company.

Save as disclosed under this subsection, we have not conducted any other acquisitions, disposals or mergers since our inception that we consider to be material to us.

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OUR INVESTORS PRIOR TO THE NYSE LISTING

Prior to the listing of the ADSs on the NYSE in October 2020, the Company had raised three rounds of equity financing in the form of issuance of Class B ordinary shares and Class C ordinary shares of the Company. The total consideration of such financings was approximately US\$3.1 billion. The financings led to the issuance of certain Class B ordinary shares and Class C ordinary shares in the share capital of the Company, and immediately prior to the completion of our initial public offering in the U.S., (i) all of our issued and outstanding Class B ordinary shares and Class C ordinary shares were automatically converted into 136,859,460 Class A ordinary shares on a one-for-one basis, (ii) the remaining authorized and unissued Class B ordinary shares and Class C ordinary shares were re-designated and re-classified into Class A ordinary shares, and (iii) all of the then issued and outstanding Class A ordinary shares and the remaining authorized and unissued Class A ordinary shares were re-designated and reclassified into ordinary shares on a one-for-one basis. Further details are as set out in the sub-section headed “—Major Shareholding Changes of the Company and our Principal Subsidiaries—Shareholding changes of the Company” in this section.

LISTING ON THE NYSE

On October 30, 2020, we listed the ADSs on the NYSE under the symbol “LU.” Our initial public offering was completed on November 3, 2020. Pursuant to our initial public offering, we sold 175,000,000 ADSs, representing 87,500,000 ordinary shares, at an offering price of US\$13.50 per ADS. In addition, the underwriters exercised their option in part to purchase an additional 24,155,128 ADSs, representing 12,077,564 ordinary shares, at the public offering price on December 1, 2020. We raised US\$2,578.9 million in net proceeds from our initial public offering after deducting underwriting commissions and discounts and the offering expenses payable by us.

As of the Latest Practicable Date, we have utilized over 80% of the net proceeds from our initial public offering in the U.S. for general corporate purposes. We still intend to use the remainder of the proceeds for purposes as disclosed in our registration statement on Form F-1 issued in connection with our initial public offering in the U.S. We invest any unutilized net proceeds in short-term, interest-bearing bank wealth management products and term deposits.

Our Directors confirm that since the date of our listing on the NYSE and up to the Latest Practicable Date, we had no instances of non-compliance with the rules of the NYSE in any material respects and to the best knowledge of our Directors having made all reasonable enquiries, there is no matter that should be brought to investors’ attention in relation to our compliance record on the NYSE.

Based on the currently available information and independent due diligence work conducted by the Joint Sponsors, including but not limited to, (a) engaging an investigative consultancy firm to conduct background search on the Company and its material subsidiaries, and reviewing such search results, the Joint Sponsors have followed up with the Company on the details of the finding and nothing material has come to the attention of the Joint Sponsors; (b) engaging agent to conduct litigation searches against the Company and its subsidiaries and reviewing such litigation search results, and no adverse records over litigation and bankruptcy in the United States involving the Company were identified; (c) conducting searches on NYSE website; (d) reviewing the Company’s public filings with the SEC and its websites; and

HISTORY AND CORPORATE STRUCTURE

(e) conducting due diligence interview with the management of the Company, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the Directors' view above.

REASONS FOR THE LISTING

We are currently seeking to have our Shares listed on the Main Board of the Stock Exchange in order to have the dual primary listing status in both the United States and Hong Kong. Our Directors consider that it is a critical step towards integrating our shareholdings and capital structure with the capital market in Hong Kong, and with the stature and prestige of having the Shares listed on the Stock Exchange, the Company will enhance its competitive position in pursuing its growth strategy particularly in Hong Kong, which the Company believes is beneficial and will create value for its Shareholders.

PRC REGULATORY REQUIREMENTS

According to the Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, SAT, the CSRC, the SAMR and SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special purpose vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Adviser is of the opinion that based on its understanding of the current applicable PRC laws and regulations, the prior CSRC approval for this Listing under the M&A Rules is not required because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether listings like ours under this document are subject to the M&A Rules, (ii) our wholly-owned PRC subsidiaries were not established through mergers or acquisitions of “PRC domestic companies” as such term is defined under the M&A Rules using equities as consideration, (iii) that no provision in the M&A Rules clearly classified contractual arrangements as a type of transaction subject to the M&A Rules, and (iv) this is a listing of a company that has been listed in the United States. However, our PRC Legal Adviser further advises that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

SAFE REGISTRATION IN THE PRC

Pursuant to the SAFE Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管

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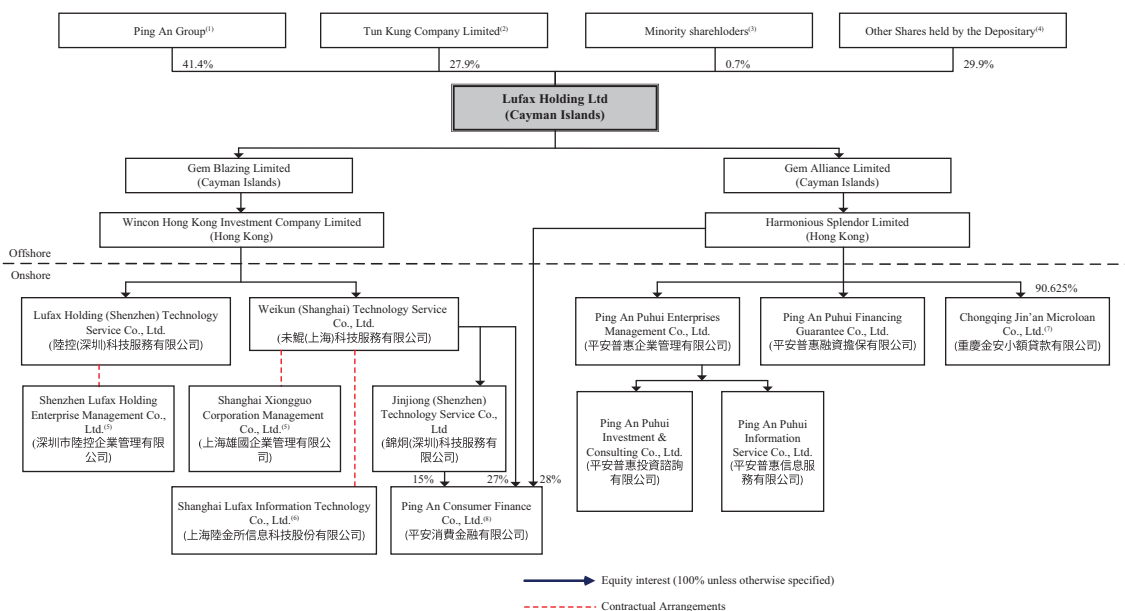
理有關問題的通知》) (“SAFE Circular 37”), promulgated by SAFE and became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident individual shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap by PRC residents, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the SAFE Circular on Further Simplification and Improvement in Foreign Exchange Administration Policies on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (“SAFE Circular 13”), which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Adviser, Mr. Wenwei DOU, Ms. Wenjun WANG, Mr. Xuelian YANG, Mr. Jingkui SHI, who indirectly hold Shares of the Company and are known to us as being PRC citizens, have completed the process of initial registration under the SAFE Circular 37 in December 2014.

OUR CORPORATE STRUCTURE

The following diagram illustrates a simplified corporate and shareholding structure of the Group as of the Latest Practicable Date:



Notes:

- (1) Represents 285,000,000 ordinary shares held by An Ke Technology, a Hong Kong company and 189,905,000 ordinary shares held by Ping An Overseas Holdings, a Hong Kong company. An Ke Technology is a wholly owned subsidiary of Ping An

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Financial Technology, which is wholly owned by Ping An Insurance, a company incorporated under the laws of the PRC whose shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. Ping An Overseas Holdings is a direct wholly-owned subsidiary of Ping An Insurance.

- (2) Represents 275,203,430 ordinary shares held by Tun Kung Company Limited, a British Virgin Islands company, plus, as of March 30, 2023, (i) 33,626,250 ordinary shares which were converted to 67,252,500 ADSs and recorded in and represented by the collateral accounts and the custodial accounts held in the name of Tun Kung Company Limited with Goldman Sachs International pursuant to certain covered call arrangements by and among Tun Kung Company Limited, Goldman Sachs International and Goldman Sachs (Asia) L.L.C. between June and December 2022, and (ii) 11,500,000 ordinary shares which were converted to 23,000,000 ADSs and recorded in and represented by a collateral account held in the name of Tun Kung Company Limited with Morgan Stanley & Co. International plc pursuant to certain variable prepaid share forward arrangements between Tun Kung Company Limited and Morgan Stanley & Co. International plc between April and June 2022. As of December 9, 2022, each of Tongjun Investment Company Limited and Lanbang Investment Company Limited owned 47.2% and 52.8% of the issued and outstanding share capital of Tun Kung Company Limited, respectively. Tongjun Investment Company Limited and Lanbang Investment Company Limited are both British Virgin Islands companies. Each of the two individuals, Mr. Wenwei DOU and Ms. Wenjun WANG, owns 50% of Tongjun Investment Company Limited's shares. Each of the two individuals, Mr. Xuelian YANG and Mr. Jingkui SHI, owns 50% of Lanbang Investment Company Limited's shares. As far as Tun Kung Company Limited is aware, save as disclosed in this document, each of Mr. Jingkui SHI and Mr. Xuelian YANG has no other relationship with the Ping An Group and the Company as of the Latest Practicable Date. As advised by Tun Kung Company Limited, as far as Tun Kung Company Limited is aware, as of the Latest Practicable Date, there is no acting-in-concert arrangement between Tun Kung Company Limited (including its shareholders) and Ping An Group, nor does Tun Kung Company Limited hold the Shares on behalf of Ping An Group.

Tongjun Investment Company Limited is a company directly held by two individuals, Mr. Wenwei DOU and Ms. Wenjun WANG, as nominee shareholders to hold the shares of Tongjun Investment Company Limited on behalf of the beneficiaries, who are senior employees of Ping An Insurance and its subsidiaries or associates. Mr. Wenwei DOU is a senior attorney of Ping An Insurance. The nominee shareholders act upon, and vote and pass shareholders' resolutions relating to, the matters of Tongjun Investment Company Limited in accordance with instructions from a five-person management committee. The five members of the management committee, which consist of Jun Yao, Jianrong Xiao, Peng Gao, Wenwei Dou and Wenjun Wang, represent the beneficiaries in making investment decisions for and supervise the management and operation of Tongjun Investment Company Limited. The five members of the management committee are all employees of Ping An Group. None of the five members is a director or senior management of Ping An Insurance, or a director, senior management or employee of our company.

Each shareholder of Lanbang Investment Company Limited, Mr. Jingkui SHI and Mr. Xuelian YANG, has granted an option to An Ke Technology to purchase up to 100% of his shares in Lanbang Investment Company Limited (the "**Lanbang Offshore Call Options**"). Lanbang Investment Company Limited held 52.8% of the shares of Tun Kung Company Limited, which in turn beneficially owned 28.3% of our ordinary shares. Each shareholder of Lanbang Investment Company Limited is entitled to his voting and other rights in Lanbang Investment Company Limited prior to An Ke Technology's exercise of the Lanbang Offshore Call Options.

Lanbang Investment Company Limited has also granted an option to An Ke Technology to purchase up to 100% of its shares in Tun Kung Company Limited (the "**Tun Kung Offshore Call Options**", and together with the Lanbang Offshore Call Options, the "**Offshore Call Options**"). Lanbang Investment Company Limited is entitled to its voting and other rights in Tun Kung Company Limited prior to An Ke Technology's exercise of the Tun Kung Offshore Call Options.

The shareholders of Lanbang Investment Company Limited also hold the entire equity interest in Shanghai Lanbang Investment Limited Liability Company ("**Shanghai Lanbang**"), which holds 18.29% of the equity interest in two of the Consolidated Affiliated Entities, Shanghai Xionguo and Shenzhen Lufax Enterprise Management. Each of Mr. Jingkui SHI and Mr. Xuelian YANG has granted an option to Ping An Financial Technology, the parent company of An Ke Technology, to purchase up to 100% of his equity interest in Shanghai Lanbang (the "**Onshore Call Options**"), and together with the Offshore Call Options, the "**Call Options**").

On August 20, 2021, we were notified that An Ke Technology and its parent company, Ping An Financial Technology, amended the exercise period of the Call Options. Following such amendments to the exercise period of the Call Options, the Call Options are exercisable concurrently, in whole or in part, during the period commencing on November 1, 2024 and ending on October 31, 2034. Such ten-year period may be extended by An Ke Technology or Ping An Financial Technology, as applicable, by written notice.

The exercise price of the Offshore Call Options is calculated pursuant to a formula, which is primarily based upon a predetermined value as multiplied by the ratio of the market price of our ADSs representing our ordinary shares plus any

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dividends and distributions to the price of our shares paid by our A-round investors. If An Ke Technology had already exercised an option to call the shares under Tun Kung Offshore Call Options before the first exercise of the option to call the shares under Lanbang Offshore Call Options, the exercise price for the first exercise of the option to call the shares under Lanbang Offshore Call Options shall be increased by an amount calculated based on the proceeds received by Lanbang Investment Company Limited pursuant to the exercise of the Tun Kung Offshore Call Options. The exercise price of the Onshore Call Options is calculated pursuant to another formula, which is primarily based upon a predetermined value plus amount as adjusted by a premium rate.

- (3) Namely, Bangkok Bank Public Company Limited and So Cheung Wing. The foregoing Shareholders are our investors that invested in us before our initial public offering in the U.S. and the share percentage excludes the Shares held by them in the form of ADSs that have been included in note (4) below.
- (4) Represents 342,989,127 ordinary shares underlying the ADSs held by our Depositary, excluding (i) 33,626,250 ordinary shares which were converted to 67,252,500 ADSs and recorded in and represented by the collateral accounts and the custodial accounts held in the name of Tun Kung Company Limited with Goldman Sachs International pursuant to certain covered call arrangements by and among Tun Kung Company Limited, Goldman Sachs International and Goldman Sachs (Asia) L.L.C. between June and December 2022, and (ii) 11,500,000 ordinary shares which were converted to 23,000,000 ADSs and recorded in and represented by a collateral account held in the name of Tun Kung Company Limited with Morgan Stanley & Co. International plc pursuant to certain variable prepaid share forward arrangements between Tun Kung Company Limited and Morgan Stanley & Co. International plc between April and June 2022, as detailed in note (2) above.
- (5) Ping An Financial Technology, Xinjiang Tongjun Equity Investment Limited Partnership, Shanghai Lanbang and Linzhi Jinsheng Investment Management Limited Partnership hold 49.99%, 29.55%, 18.29% and 2.17%, respectively, of the equity interests in each of Shanghai Xionguo and Shenzhen Lufax Enterprise Management.

Ping An Financial Technology is wholly owned by Ping An Insurance. Xinjiang Tongjun Equity Investment Limited Partnership is a limited partnership incorporated under the laws of the PRC, and each of the two individuals, Mr. Wenwei DOU and Ms. Wenjun WANG, owns 50% of Xinjiang Tongjun Equity Investment Limited Partnership's interests. Shanghai Lanbang is a company incorporated under the laws of the PRC, and each of the two individuals, Mr. Xuelian YANG and Mr. Jingkui SHI, owns 50% of Shanghai Lanbang's shares. Linzhi Jinsheng Investment Management Limited Partnership is a limited partnership incorporated under the laws of the PRC, and Mr. Xuelian YANG owns 60% and Mr. Jingkui SHI owns 40% of Linzhi Jinsheng Investment Management Limited Partnership's interests.

- (6) Shanghai Xionguo and Shanghai Huikang Information Technology Limited hold 99.995% and 0.005%, respectively, of the equity interests in Shanghai Lufax.
- (7) Ping An Puhui Enterprises Management holds the remaining 9.375% of the equity interests in Chongqing Jin'an Microloan Co., Ltd.
- (8) Ping An Insurance holds the remaining 30% of the equity interests in Ping An Consumer Finance Co., Ltd.

PUBLIC FLOAT

So far as our Directors are aware, immediately following the completion of the Listing (assuming no Shares are issued pursuant to the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes), the following persons, (i) Ping An Insurance (through An Ke Technology, Ping An Overseas Holdings and Ping An Financial Technology), (ii) Tun Kung Company Limited and (iii) Mr. Gregory Dean GIBB, being Director and chief executive officer of the Company, will hold approximately 69.4% of the Company's total issued and outstanding Shares in aggregate, and such Shares will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing.

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OVERVIEW

Who we are

We are a leading financial services enabler for small business owners (“SBOs”) in China. Our mission is to foster small business competitiveness and sustainability by providing individual entrepreneurs with access to financial products and services and empowering institutional partners to reach and serve SBOs efficiently.

SBOs include both owners of legal entities and individuals who conduct their business as sole proprietors. SBOs often own and operate multiple small and micro businesses (“SMBs”), either consecutively or concurrently, in the same or related industries and at different stages in their lifecycles.

We offer financing products designed principally to address the needs of SBOs. In doing so, we have established relationships with over 550 financial institutions in China, many of which have worked with us for over three years. These financial institutions provide funding and credit enhancement for the loans we enable as well as other products to enrich the SBO ecosystem that we are creating.

We consider ourselves a non-traditional financial service provider, by which we mean we apply cutting-edge technology to the enablement of transactions by traditional financial institutions, such as banks, which are licensed to accept deposits and make loans but which are limited in their market reach in certain respects by their reliance on traditional offline business practices.

Enablement means that we make it possible for financing transactions to occur, by connecting financial institutions to borrowers they would not otherwise reach, providing or arranging credit enhancement services to allow loans to be made, and providing post-origination services such as collection services, and value-added services and tools.

Through our offline-to-online model supported by our nationwide direct sales network, we have served a total of over 4.6 million, 5.9 million, and 6.6 million SBOs in China since the beginning of our business in 2005, as of December 31, 2020, 2021 and 2022, respectively. The total outstanding balance of loans we enabled was RMB545.1 billion, RMB661.0 billion and RMB576.5 billion (US\$82.9 billion) as of December 31, 2020, 2021 and 2022, respectively. We ranked second among non-traditional financial service providers for SBOs in China in terms of total outstanding balance of inclusive SMB loans as of June 30, 2022, with a market share of 17.6%.

What we do

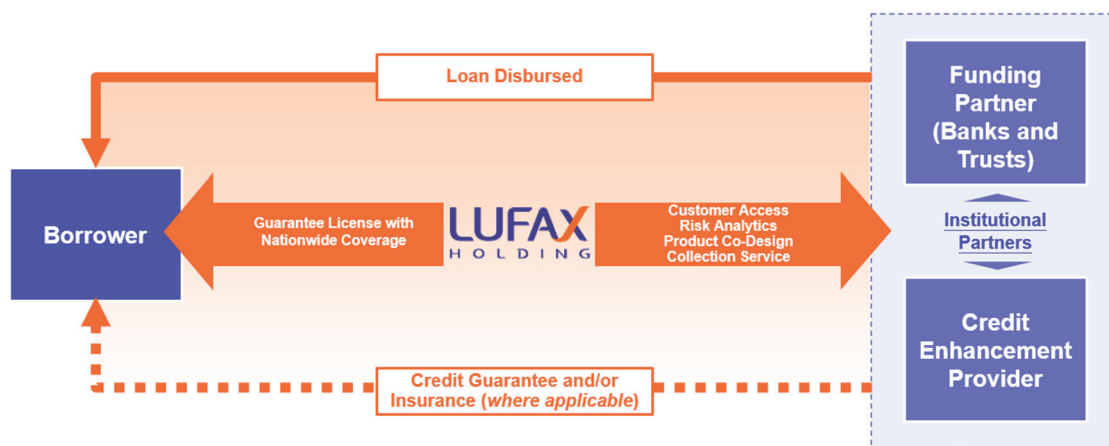
We are primarily engaged in the enablement of loans in China. We enable loans under two distinct business models. Approximately 99.3%, 98.2% and 94.9% of the total outstanding loans we had enabled as of December 31, 2020, 2021 and 2022, respectively, are loans we enabled under our core retail credit and enablement business model. These are large-ticket loans, having an average ticket size of RMB164,483, RMB199,502 and RMB240,179 for general unsecured loans enabled in 2020, 2021 and 2022, respectively, and RMB390,467, RMB430,795, and RMB438,675 for secured loans enabled in 2020, 2021 and 2022,

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respectively. The remaining 0.7%, 1.8% and 5.1%, respectively, consist of loans we had enabled through our licensed consumer finance subsidiary. These are small-ticket loans, having an average drawdown of RMB3,301, RMB3,797, RMB5,979 in 2020, 2021 and 2022, respectively. The enablement of loans accounted for nearly all of our total income in the Track Record Period. In addition to the enablement of loans, we have also begun to refer borrowers to banks through a product that we have branded Lujintong (陸金通), which accounted for less than 2% of our total income during any year.

We operate our core retail credit and enablement business model under the Puhui brand. Puhui targets SBOs who require larger ticket size loans on short notice for imminent operating commercial needs of their businesses, and to a lesser extent also salaried workers dealing with major life expenses. Puhui enables two types of loans, which we refer to as general unsecured loans and secured loans. We do not fund these loans ourselves. We have two sources of funding for these loans, namely, banks and trusts, which we refer to collectively as our funding partners. We also arrange for credit enhancement for these loans through third-party credit enhancement providers or our own licensed financing guarantee subsidiary. Our financing guarantee subsidiary and third-party credit enhancement providers both offer credit enhancement services from the borrowers' perspective. Our financing guarantee subsidiary provides credit guarantee to the borrowers, while insurance companies within our third-party credit enhancement providers offer credit guarantee insurance. Both credit guarantee and credit guarantee insurance refer to the same type of guarantee services. However, the nomenclature is different as guarantee companies and insurers operate under different licensing regimes. We refer to our funding partners and the third-party credit enhancement providers together as our institutional partners. Our ability to connect SBOs and other borrowers with similar needs to lenders and to make those loans possible through credit enhancement and a variety of other services is central to our value proposition.

The following chart illustrates how we enable borrowers and institutional partners through our core retail credit and enablement business model.



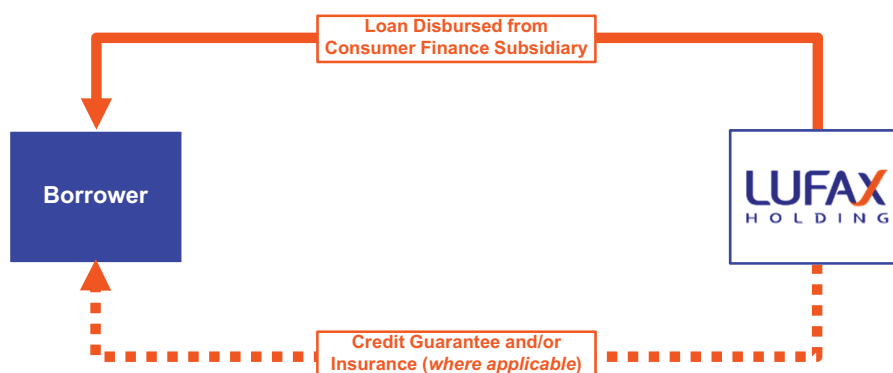
We used to adopt a loan facilitation model before the Track Record Period. In 2018, we began the transformation of our business using a joint guarantee arrangement to share credit risk through our financing guarantee subsidiaries with our third party credit enhancement providers, and subsequently increased our risk sharing since late 2020 for a number of reasons. By accepting some credit risk on the loans we enable, we align ourselves more closely with trends in PRC government policy for non-traditional financial service providers. Taking credit risk also allows us to share borrower data with our institutional partners in a

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manner that is compliant with PRC regulatory requirements. Taking risk signals to our funding partners that we have confidence in our credit analysis, and it also gives us more flexibility in coping with fluctuations in the price for credit enhancement. As of December 31, 2020, 2021 and 2022, the outstanding balance of loans which we bore credit risks totaled RMB32.2 billion, RMB109.8 billion and RMB135.4 billion (US\$19.5 billion), respectively, and the corresponding amounts of provision were RMB1.7 billion, RMB5.5 billion and RMB12.8 billion (US\$1.8 billion), respectively. In 2020, 2021 and 2022, we made a payment of RMB0.7 billion, RMB1.5 billion and RMB6.8 billion (US\$1.0 billion), respectively, to our funding partners for claims against defaults.

Our consumer finance subsidiary targets consumers in China who need small-ticket loans, typically to meet personal short-term cash flow needs or to make discretionary purchases of consumer goods. As a licensed entity operating in a highly regulated field, it operates separately from Puhui and follows its own distinct business model. The market for consumer finance loans is complementary to the market for the large-ticket, long-tenor loans that are enabled by Puhui and the borrowers typically do not overlap.

The following chart illustrates our consumer finance model:



The following table shows some of the characteristics of the loans enabled by us through Puhui, in the case of general unsecured loans and secured loans, and through our consumer finance subsidiary, in the case of consumer finance loans, for the years indicated:

	<u>For the Year Ended December 31,</u>		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
Average ticket size (RMB)			
General unsecured loans	164,483	199,502	240,179
Secured loans	390,467	430,795	438,675
Consumer finance loans (drawdown)	3,301	3,797	5,979
Average APR for new loans (%)			
General unsecured loans	26.7	22.6	21.1
Secured loans	17.4	16.2	15.7
Consumer finance loans	19.1	20.3	20.6

In addition to loan enablement, we have also begun to refer borrowers to banks through Lujintong. These are borrowers who do not belong to the target customer segment for Puhui but who might qualify for

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loans directly from banks. We do not provide any funding or bear any credit risk on any resulting loans, nor do we include such loans in our operational data.

Our market opportunity

Small and micro businesses (“SMBs”) constitute a large, growing and systemically important sector in the Chinese economy with strong national policy support. SMBs have contributed over 60% of China’s GDP and over 80% of its job creation, but they have only obtained a disproportionate 26.0% of total financing as of the end of 2021. There were in aggregate approximately 143.5 million SMBs in China as of the same date according to the State Administration for Market Regulation and the National Bureau of Statistics, including 40.3 million small and micro business entities and 103.2 million sole proprietors.

The SMB sector presents numerous challenges to potential lenders and service providers. Typically, SMBs have small scale operations, with fewer than 50 people and less than RMB30 million of annual income, and are dispersed across a wide range of industries and geographies. Moreover, SMBs have an average lifespan of less than five years. SMBs typically lack collateral to pledge or consistency in cash flow given their small scale and short lifespan.

SBOs, as owners of SMBs, may have a much stronger credit profile than their businesses do, with real estate, cars or other personal assets. SBOs often own and operate multiple businesses, either consecutively or concurrently, in the same or related industries and at different stages in their lifecycles. SBOs include both owners of legal entities and individuals who conduct their businesses as sole proprietors. We also include individuals who have a management role at SMBs as well as other individuals who can show that they operate a business in the category of SBOs.

Our 17 years of accumulated proprietary data and our AI-driven dynamic risk modeling give us what we believe is a unique ability to assess both the SBOs as individuals and their businesses together as a whole to achieve higher precision in credit evaluation and risk-based loan sizing and pricing in China. We apply risk control measures in our selection of SBO customers while offering larger ticket sizes and longer tenor loans with or without collateral to meet individual entrepreneurs’ working capital needs across their businesses.

This risk management capability is difficult for other players to replicate, leading to substantial unmet SMB loan demand, estimated at RMB44.1 trillion as of the end of 2021 by CIC. Traditional financial institutions encounter significant challenges in risk assessment of SMBs due to high turnover and limited collateral while non-traditional financial service providers backed by internet companies primarily rely on social and other online behavior data to provide lending with smaller ticket size and shorter tenor.

Given their inefficiency in serving SMBs, traditional financial institutions have been turning to partnerships with non-traditional financial service providers to enable an increasing portion of the inclusive SMB loans that they fund. Inclusive loans are loans that are made to qualified borrowers such as SMBs and individuals who have difficulty accessing large-ticket-size credit, and in China, the CBIRC defines inclusive SMB loans as SMB loans that are extended to a single qualified borrower with a total credit line not exceeding RMB10 million.

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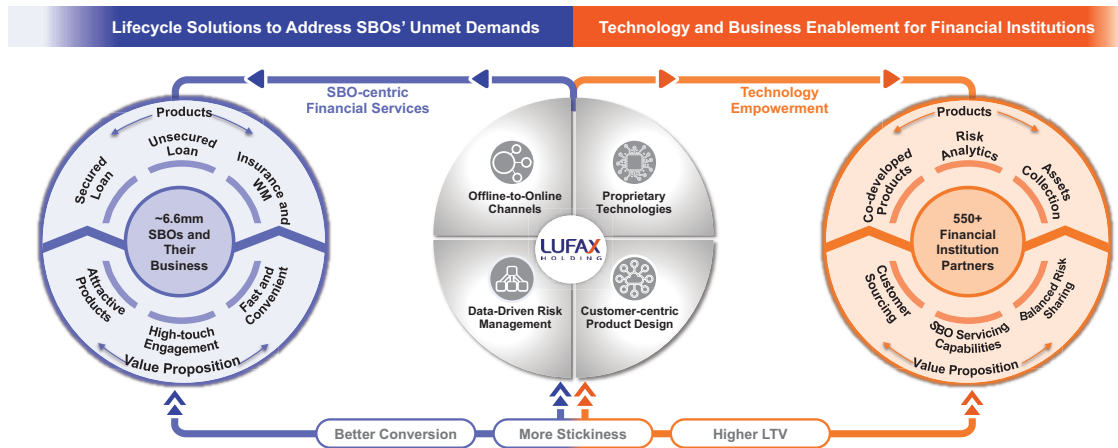
According to CIC, the demand from SMBs for credit is expected to remain strong going forward, and the PRC government has also announced a number of favorable policies to support SMBs. As owners of SMBs, SBOs also directly benefit from these positive tailwinds.

As of the end of 2021, the total outstanding balance of inclusive SMB loans in China amounted to RMB20.8 trillion, representing a five-year CAGR of 27.9%, and it is expected to grow further to RMB42.7 trillion by the end of 2026 at a CAGR of 15.5%, according to CIC. The percentage of such loans enabled by non-traditional financial service providers increased from 7.8% in 2017 to 12.9% in 2021 while the balance grew at a CAGR of 44.9% over the same period. The proportion enabled by non-traditional financial service providers is expected to increase further to 14.1% in 2026 with the balance growing at a CAGR of 17.7%, outpacing growth of the overall inclusive SMB loan market, according to CIC.

In addition, the outstanding balance of inclusive SMB loans as a percentage of total SMB loans in China increased from 24.9% in 2017 to 41.3% in 2021, and is expected to increase further to 50.2% in 2026, demonstrating significant room as well as willingness for financial institutions to reach previously underserved SMB borrowers. Our business is designed specifically to address the difficulties that SBOs face in accessing credit and to assist financial institution partners in serving the large unfulfilled demand.

Our value propositions to SBOs and financial institution partners

Our market leadership in the SBO segment is underpinned by our ability to integrate the resources of our customers and partners, namely SBOs and financial institutions, and to create value for them.



- Our value proposition for SBOs includes:
 - **Attractive products:** We offer funding access with considerable flexibility to meet SBOs' working capital needs at an affordable cost. Our product design and risk assessment approach considers the SBO both as an individual as well as an operator of his or her business, allowing us to price risks more accurately. Our risk management model combines a multi-faceted sub-segmentation algorithm with 17 years of proprietary data, allowing us to offer flexibility in structure (secured, unsecured, or a mixture of both), size (up to RMB10 million for secured and up to RMB1 million for unsecured) and tenor (up to 36 months) at affordable rates.

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- **Personal engagement:** While our loan application, approval and servicing processes are entirely online, we have a nationwide direct sales force of over 40,000 full-time employees covering over approximately 300 cities across China to understand the individual needs and preferences of our customers. Our agents offer offline support to SBOs and introduce a personal touch into the customer relationship, which is a major point of differentiation from competitors that provide primarily or even exclusively online support to their users.
- **Fast and convenient online experience:** We provide a fast and convenient pure online process for our customers. We embed AI, big data, and blockchain technology into each step of our customer journey to minimize manual input for loan application forms and provide a hassle-free experience. We are able to complete the loan approval process as fast as 20 minutes from the start of application for unsecured loans using a single app interface.
- Our value proposition for financial institutions who are our funding, credit enhancement and product partners includes:
 - **Extensive customer sourcing:** We enable financial institutions to access tens of millions of SBOs a year across approximately 300 cities in China, making it possible for them to scale up in this priority segment in a cost effective manner, perform targeted marketing and improve their sales efficiency.
 - **SBO servicing capabilities (product design, risk analytics, post-loan service):** We partner with financial institutions to co-design products for SBOs, and we improve their risk management model by providing them SBO customer insights and analytical tools to price risk. We also offer our funding partners and credit enhancement providers post-loan monitoring and collection services to alleviate their burden in managing troubled assets.
 - **Compliant and balanced risk sharing:** We align our interest with that of our funding partners by sharing credit risk with them through our licensed financing guarantee subsidiary. Our guarantee model, which distinguishes us from competitors that have adopted a loan facilitation model with minimal risk-sharing, when combined with our strong capital base sets a foundation for us to be compliant and adaptive to the evolving regulatory environment. Our compliant data and risk sharing arrangements allow our funding partners to have controlled risk exposure and better earnings visibility.

Value creation through ecosystem approach

To further strengthen our business model, we launched a new small business owner value-added services platform in November 2022, to foster the growth of an SBO ecosystem that will create greater value for SBOs by deepening connectivity, content and operational service offerings. We have begun to bring in additional service providers to give SBOs access to broader offerings beyond financial products. These include a forum for information exchange, social networking and a suite of digital SaaS solutions. Together, these provide SBOs the necessary connectivity and tools for more effective customer acquisition, easier transaction making and overall improved efficiency.

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As our ecosystem evolves, we can deepen the connectivity and engagement between different core participants, enhancing our value creation. We will be able to onboard a much broader set of SBOs to our ecosystem beyond just SBOs with immediate funding needs. By offering comprehensive services to our SBO customers both before and after their financial transactions, we are transforming ourselves into a SBO lifecycle advisor. We believe that this will increase the frequency and depth of customer engagement and enhance the longevity of our customer relationships. The ecosystem is designed to generate powerful self-reinforcing network effects, reinforcing engagement intensity with more customer service offerings, leading to higher customer conversion rate, lower acquisition costs and longer customer life span, thereby lifting our customer lifetime value.

OUR STRENGTHS

We believe that the following six competitive strengths contribute to our success and differentiate us from our competitors:

Leading SBO Financial Service Enabler in a Large and Underserved Market

We are a market leader with significant first-mover advantages, including a large existing customer base and longstanding institutional relationships with key financial institution partners. We are the second largest non-traditional financial service provider for SBOs by total outstanding balance of inclusive SMB loans as of June 30, 2022, with a 17.6% market share, according to CIC. Our industry leadership makes us a preferred service provider for both SBOs and financial institution partners. Since our inception, we have served around 6.6 million SBO customers. With the data we have accumulated and the insights we can draw from our large customer base, we have a profound understanding of the needs of SBOs, which allows us to provide tailored products and services to our customers, and creates a high entry barrier for others who have entered or might enter this sector after us. In addition, we have institutional relationships with over 550 financial institutions, including some of the largest banks, trust companies, consumer finance companies, leasing companies, insurers, funds and asset managers in China. We have worked with many of these partners for more than three years, and our deep partnerships with them allow us to provide a full suite of financial products and at the same time enable us to understand and help overcome their difficulties in servicing SBOs.

The SMB financing market is both large and underserved. SMBs represent a key segment of the Chinese economy with large unmet demand for financing and strong growth potential. As of the end of 2021, there were around 143.5 million SMBs in China, contributing over 60% of total GDP. Their unmet financing demand is estimated at RMB44.1 trillion by CIC and is expected to increase to RMB70.9 trillion in 2026. The SMB segment is expected to exhibit healthy growth in the next five years, and the outstanding balance of inclusive SMB loans is expected to grow at a CAGR of 15.5% to reach RMB42.7 trillion by 2026.

SBO-centric Product Design and Tailored Offerings

We design attractive products with significant flexibility to meet both SBO needs and the requirements of our financial institution partners. SBOs typically need larger ticket size loans with longer tenors, often on short notice. We are able to offer loan products with flexibility in structure (secured,

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unsecured, or a mixture of both), size (up to RMB10 million for secured and up to RMB1 million for unsecured) and tenor (up to 36 months) at affordable rates, which can be customized with different features for different customers.

Our data-driven algorithms are key to enabling us to provide this flexibility. We first categorize our customers into established SBOs, developing SBOs or non-SBOs. We then apply a list of key criteria including operating history, scale, cash flow stability, credibility of shareholders and industry segment to come up with risk ratings on our customers based on our recently adopted R1 (highest) to R6 (lowest) borrower quality ranking system. Taking into account geographic location and local conditions, we further differentiate our borrowers into eligible and ineligible. For those whom we grade as eligible to receive loans, we further apply data-driven algorithms to dynamically assign different weightings for different factors, taking into account prevailing macro and sector conditions and risks to customize loan sizing and pricing for each specific customer profile. Crucially, unlike traditional financial institutions or the majority of non-traditional financial services providers, which typically analyze the risk of SBOs either on the business or on the personal level, we are able to combine the two using our algorithms to analyze the risks of our customers more holistically on a multi-dimensional basis. Our ability to segment risks precisely and accurately allows us to provide larger ticket loans at differentiated pricing to our customers.

Integrated Offline-to-Online Channels Best Suited to Serve SBOs

Our integrated offline-to-online channels are critical to our ability to serve SBOs in China. SBOs often require customized solutions, as their financial and operational needs may differ based on their business type, region and target customers. Our nationwide direct sales network of over 40,000 full-time employees covering approximately 300 cities across China is the largest offline sales force focused on the SMB segment among non-traditional financial services providers and is the core of our customer acquisition strategy. Through this network, we have the ability to reach tens of millions of SBOs a year. Direct interaction with our customers enables us to understand their needs, improve our credit decisioning system and identify fraudulent applications through offline customer due diligence, thus allowing us to recommend the most suitable products and to serve our customers more comprehensively while controlling risks. Our direct sales force is complemented by a variety of channel partners and a telemarketing team of over 3,000 members that maintains regular contact with customers. In addition, we are able to tap the customer base of over 10,000 third-party agents on our Lujintong application, which provides information intermediary services to empower brokers to distribute the products of selected financial institution partners to their customers.

We equip our direct sales force with state-of-the-art online customer acquisition and customer engagement technology, assisting them to effectively target high quality borrowers, predict when those borrowers will have unmet funding needs, facilitate their ongoing engagement with them, and eventually increase their customer conversion rate. Our specialized sales enhancement mobile application gives our sales force a graphic portrayal of the geography of their target customers through an AI heat map that identifies regions with higher sales potential and conduct targeted sales activities. In addition, our integrated offline-to-online channels also allow us to further reduce our customer acquisition costs. In 2022, our average customer acquisition costs amounted to 3% of loan amount, lower than the 3–5% average for our non-traditional financial service provider competitors according to CIC.

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Robust Data-Driven Risk Management Capabilities

Our credit risk management approach precisely identifies key risks and allows us to target the right cohort of customers. The foundation of our credit risk management is a dual KYC-and-KYB approach. KYC assesses the SBOs' creditworthiness as individuals, while KYB assesses the cash flow sustainability of the SMBs. Our underwriting algorithm considers the intertwined relationship between the two to segment our customers into detailed risk categories, which allows higher precision in customer selection. With our on-the-ground staff and collection outlets across the country that collect first-hand information on the local markets, we are able to customize our risk management strategies for SBOs in each region to manage and price risk effectively by incorporating regional-specific data into our risk model.

We have a dynamic credit decisioning engine that leverages our proprietary data and incorporates post-loan collection feedback to enhance product pricing, improve underwriting results and lift loan collection efficiency. We start with over 7,000 predictive variables for each borrower, which we narrow down to approximately 1,600 key variables that are used for our loan decision models, of which the vast majority are credit and financial data. Our proprietary models, combined with the large volume of credit and financial data collected over 17 years, allow us to accurately price risks based on borrower creditworthiness. We have around 10,000 agents in our post-origination services team to conduct timely and effective collection of larger size loans. Data from post-loan monitoring and collection efforts is constantly fed back into customer selection and credit approval algorithms to make sure our models are being continually refined to further improve outcomes. Deployment of AI collectors and segmentation algorithms for collection has enhanced our ability to identify fraud and high-risk borrowers.

As a result of our robust risk management, we have been able to maintain sound asset quality through credit cycles. The resilience and fundamental strengths of our business model have been further proven during multiple extended lockdowns in China due to COVID-19.

Cutting-Edge Proprietary Technologies

We embed cutting-edge technologies end-to-end throughout the SBO customer journey to deliver a seamless and efficient customer experience. Our customer onboarding process deploys biometric identification, natural language processing, and optical character recognition and to a large extent is conducted by video. Around 40% of our customers are vetted entirely by AI tools while the remaining ones are onboarded through a combination of AI tools and remote interviews by underwriting agents. This creates a fast and hassle-free pure online experience for our SBO customers that can be as fast as 20 minutes for general unsecured loans and as little as two hours for the review process for large ticket secured loans. Our credit assessment process is powered by data-driven analytics and anti-fraud technologies, applying micro-facial expression, voice recognition and AI. Customer information is automatically transferred and fed into the system after customer consent is obtained. Our post-loan management and loan collection process utilizes an online system that is powered by AI servicing, intelligent loan collection algorithms and App smart robots. We have created a 24/7 operating command cabin and loan collection system which has increased the stability, speed, and efficiency of our post-loan process. With the assistance of these tools, the average collection agent productivity was over 10% higher in 2022 than in 2020.

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We also apply technology to broader use cases to empower our financial institution partners. We offer integrated front-end sales management tools, mid-end AI analytic tools and back-end data tools to our partners to digitize their operations and reduce their reliance on manual processes. Our end-to-end matching process is highly tailored for each partner's credit appetite. We supply AI risk management solutions to our partners for anti-fraud measures, customer risk rating, customer identity verification, and customer data encryption, according to their business needs. We also provide big data infrastructure services to financial institutions with model building and other value-added solutions that generate output in the form of tailored and customized model strategies, giving financial institutions a one-stop solution for risk framework setting, model iterations and associated data analytics. Finally, we provide a post-loan management interface to our financial institution partners to handle non-performing assets that analyzes each customer's credit profile and repayment history to determine their willingness to repay their loans and utilizes a combination of our online AI robots and offline collection network to execute the most effective collection approach for each customer.

Experienced Management Team And Strong Support from Ping An Group

We have an experienced management team with a proven track record comprised of veterans from reputable and market leading financial institutions that brings abundant local expertise and international experience to the table. Our Chairman, Mr. Yong Suk CHO, brings more than 20 years of experience in SMB lending and consumer finance, having held senior positions at Citibank and HSBC before joining Ping An Group in 2007. Mr. Cho managed important functions of our retail credit and enablement business even before our company was founded. Mr. Gregory Dean GIBB is a founding member of our company and has been our CEO for more than 10 years. The members of our management team have been with our company for an average of eight years. The foresight of our management team, combined with its strong execution capabilities, has been critical in driving our business transformation through business cycles against the backdrop of the changing regulatory landscape in China. At every point in our journey, our management team has delivered consistent and resilient operational and financial results, with a track record of correctly anticipating different regulatory outcomes and being able to react swiftly to adjust our business model.

Our relationship with Ping An Group, a longstanding business partner and strategic shareholder of ours, has enabled us to establish a business model that would be difficult to replicate while at the same time not compromising our autonomy. Ping An Group's financial DNA, together with 30 years of R&D in Fintech, has helped us establish a strong understanding of financial services, leverage data in our business more efficiently, positively shape the development of our Fintech capabilities, and develop better insights into the regulatory landscape. Our relationship with Ping An Group also enables us to leverage its channels for customer sourcing, co-design credit insurance products with it and tap its knowledge of core technologies.

OUR STRATEGIES

Driven by substantial unmet demand, we aspire to deepen connections among SBOs and between SBOs and institutional partners to create greater value for our customers. We aim to achieve this by further building out our SBO ecosystem, broadening our institutional network, developing our offline-to-online channels, enhancing user engagement, and deepening our data and technology advantages to meet their needs.

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Further build out SBO ecosystem to deepen customer engagement

In order to enhance products and services for SBOs and institutional partners, we plan to:

- *Continue to enhance our full suite of unsecured and secured loan products, including further leveraging our consumer finance business, to maximize flexibility of options to our customers*
- *Introduce a broader range of products, for example non-life insurance products, to meet protection needs of our customers*
- *Introduce additional functionalities on our Ludiantong application to enable information sharing and social networking to further enhance connectivity among SBOs in our ecosystem*
- *Introduce additional SBO-focused service providers to offer comprehensive merchant services such as targeted marketing, store management, customer relationship management, inventory tracking, accounting, training management, AI calling, electronic receipt and tax assistance*
- *Offer a wider scope of enablement solutions to our financial institution partners covering front-, mid- and back-office functions, including customer targeting, channel management, credit risk analytics or assistive technology, digitalization tools, and non-performing asset management and recovery*

In order to exploit new closed loop opportunities from our ecosystem, we plan to:

- *Connect all of our SBO customers to each other in a single integrated app, to enable cross-industry business-to-customer contacts and provide SBOs with new channels for customer sourcing and information exchange*
- *Enable financial institutions to provide further value to our customers, through co-developed financial products that better cater to SBO needs drawing on credit risk analytics or assistive technology that we offer, as well as enablement solutions*

Broaden customer and partner reach

In order to acquire more SBOs in different growth stages, we plan to:

- *Continue to grow our different channels of acquisition, including Lujintong and other channels such as online and telemarketing*
- *Lift productivity of our direct sales force through implementing a structured rating system to ensure we retain and reward talents and optimize our team structure and creating incentives for direct sales team to cross-sell pre- and post- loan transaction*

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- *Empower our direct sales force through new digital tools* to increase customer engagement and stickiness, recommend solutions based on their demands, and respond to their queries in a systematic manner
- *Continue to shift towards a higher-quality customer segment* for our retail credit and enablement business

In order to deepen and broaden our institutional network, we plan to:

- *Deepen relationship with existing institutional partners* by increasing cooperation thresholds and cross-selling additional products and services
- *Expand funding partnerships* to include more banks as well as trust companies to further diversify funding source
- *Continue to source additional financial institution customers for enablement solutions* to drive growth and provide support to increase credibility to our ecosystem

Enhance customer engagement and unit economics

In order to enhance customer engagement and unit economics, we plan to:

- *Facilitate conversion of reachable customers to active ones* through more diversified product offerings and operational services, for example managing membership programs at the local level with client relation management tools that enable SBOs to precisely target the right customers with low transaction costs
- *Enhance customer recognition and engagement* by better understanding their lifecycle needs through multiple layers of data collected at the individual and business levels
- *Increase customer unit value by upselling and cross-selling financial products*, further understanding SBO demands by collating industry data and supply chain trends through the information exchange and social networking functionalities of our ecosystem
- *Extend customer lifetime value by further exploring their other lifecycle needs*, drawing on more customer insights obtained through new operational tools provided to SBOs

Deepen data advantage and further leverage technology

In order to deepen our data advantage and further leverage our technology, we plan to:

- *Continue to leverage big data analytics* to upgrade our risk models and fine-tune our product features based on our customers' evolving preferences and changing local economic conditions as we continue to expand our customer base and collect more data and insights

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- *Strengthen our cloud-based infrastructure* to enhance the efficiency and stability of our centralized data management system, which accumulates, analyzes and applies data to empower our core technological applications such as KYC, KYB, product matching, and customer segmentation and identification
- *Invest in artificial intelligence capabilities and broaden application scenarios* by establishing an AI open architecture to power the solutions and services recommendation system for SBOs and the sales and product approval system for institutional partners, as well as deploying AI collectors for post-loan monitoring and recovery
- *Apply blockchain technology* to safely and securely store our customers' data in compliance with data regulations

OUR BUSINESS MODEL

The following table illustrates some basic facts about our business model.

	<u>Core Retail Credit and Enablement Model</u>		<u>Consumer Finance Loans</u>	<u>Lujintong Referrals</u>
	<u>Bank Funded Loans</u>	<u>Trust Funded Loans</u>		
Outstanding Balance (RMB billions) as of December 31, 2022	356.0	190.8	29.7	Not applicable
% of credit risk borne by Lufax (% of new loans enabled in 2022)	21.3% through financing guarantee subsidiary	21.3% through financing guarantee subsidiary	Majority through consumer finance company	None
Funding by Lufax	None	None	100% through consumer finance company	None
Balance Sheet Treatment	Off-balance sheet guarantee liability	100% consolidated due to IFRS 10 ⁽¹⁾	100% consolidated	Not applicable
Income Recognition	<ul style="list-style-type: none"> • Retail credit and enablement service fees • Guarantee fees 	Net interest income	Net interest income	Referral income from platform services

Note:

(1) Based on new loans enabled in 2022.

Core retail credit and enablement model. Under our core retail credit and enablement model, we do not fund any of the loans ourselves. We work closely with funding partners through our financing guarantee subsidiary and its network of licensed branches in 29 provinces. We guarantee a portion of the risk on loan transactions together with our credit enhancement providers.

Our funding partners consist of the banks and trusts that fund the loans that we enable. We have relationships with 52, 60 and 75 banks as of December 31, 2020, 2021 and 2022, respectively, and 6 trust companies as of the same periods, none of which are affiliates of Ping An Group. Our bank partners do not include Ping An Bank, and our trust partners do not include Ping An Trust.

Our business development team actively seeks out and cultivates relationships with potential funding partners to help ensure that we have access to sufficient funding for the loans we enable. The number of our

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funding partners increased from 58 as of December 31, 2020 to 66 as of December 31, 2021 and 81 as of December 31, 2022. Our relationships with these funding partners have remained stable over the years. All 58 of the funding partners we had as of December 31, 2020 remained our funding partners as of December 31, 2021, and all 66 of the funding partners we had as of December 31, 2021 remained our funding partners as of December 31, 2022.

The total volume of new loans enabled under our core retail credit and enablement model that was funded by banks was 64%, 66% and 64% in 2020, 2021 and 2022, respectively, as compared to 36%, 34% and 36% that was funded by trusts in 2020, 2021 and 2022, respectively. Trusts are a widely used tool by industry peers for aggregating capital from individuals with high net worth, and using a combination of banks and trusts gives us the flexibility to source funding for the loans we enable at competitive rates. While we make funding decisions based on commercial considerations, the choice of funding source affects our financial statements in a number of ways due to the application of accounting rules.

Bank-funded loans. We earn retail credit and enablement service fees on loans we enable that are funded by banks, and we earn guarantee income for the portion for which we provide credit enhancement through our financing guarantee subsidiary. We record the borrower acquisition costs under sales and marketing expenses. We take credit risk on bank-funded loans by providing guarantees. We had credit risk for 6.0%, 17.5% and 21.3% of new loan volume funded by banks in 2020, 2021 and 2022, respectively. The amount we guarantee through our financing guarantee subsidiary is reflected as off-balance sheet guarantee liabilities, and bank-funded loans are not consolidated on our balance sheet regardless of risk taking.

Trust-funded loans. Under IFRS 10, the accounting rules stipulate that we consolidate those trust plans over which we have control and from which we receive variable returns which are affected by our control over these trust plans. The arrangement of consolidated and unconsolidated trust plans is quite similar while the variable return could be different, depending on a dynamic mix of commercial factors. From an accounting perspective, we have power to direct the activities of these trust plans, which only invest in loans enabled by us and which contract with us as the sole provider of loan management services. During the Track Record Period, we have gradually lowered the APR on loans we enable. With the decrease in investor's return as a result of decrease in market interest rate and the increase in the proportion of loans on which we bear credit risk, the magnitude of variable return attributable to funding partners and/or credit enhancement providers declines accordingly, while the magnitude of variable return earned by us keeps relatively stable. As a result, more loans enabled with trust plans were consolidated since we were entitled to higher proportion of the variable return. For the year ended December 31, 2022, we consolidated 100% of the new loan volume we enabled with trusts as the funding source. All cash flows directly attributable to these on-balance sheet loans, including the contractual interest income, service fees, guarantee fees, and borrower acquisition expenses, are recorded as net interest income using the effective interest method in accordance with IFRS 9. Borrower acquisition costs are deducted from net interest rather than being recognized separately. Our risk exposure in trust-funded loans is determined by the amount of guarantees we provide on these loans, and the consolidation of such loans onto our balance is not related to the amount of credit risk taken by us. We had credit risk for 3.7%, 16.2% and 21.3% of new loan volume funded by trusts in 2020, 2021 and 2022, respectively. We are not contractually obligated to repay the funding partners any shortfall in repayment in the event that the third-party credit enhancement providers failed to make the

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default claims payments to the relevant funding partners. Our relationship and the funding partners' relationship with the third-party credit enhancement providers are on a *pari passu* basis.

Although for accounting purposes we are considered to control the trusts that we consolidate, we are not the trustee and we do not create or operate the trust. We work with the trust company that acts as the trustee to ensure that there is a potential use for the trust assets that will attract investors to provide capital to the trust. In our case, this means establishing the parameters for inclusive SMB and other loans that we believe we could enable with the trust assets. The trustee is responsible for putting the trust assets into active use, whether by making loans that we enable or by making other investments, in order to generate investment returns on the trust assets. We do not participate in the decision-making process of the trustee on the use of the trust assets. Under the trust arrangements, the trust companies make payments to the investors over the life of the trust, as well as paying the trustee's remuneration and other expenses of the trusts, and we are entitled to receive any trust assets that still remain upon the expiration of the trust after all its obligations have been met. From both a legal and an accounting perspective we are the primary beneficiary of the trust.

We are not involved in the operations of the trust plan. Trust company is responsible to safeguard the assets in the trust plan based on the regulatory requirements of the trust industry. Assets in the trust plan, including restricted cash, are escrowed by the custodian bank, and the custodian bank is responsible for safeguarding the restricted cash.

We act as the asset service provider for the trust plan, and are responsible for referring borrowers to the trust plans. We have no liability to the trust companies or the trust investors.

As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, our operations under the above trust arrangements with our financial institution partners had complied with the applicable existing effective laws and regulations in all material aspects and such trust arrangements are valid and binding under PRC laws and regulations.

Because there are loans we consolidate for which we do not provide credit enhancement (and so do not have credit risk exposure), and loans we do not consolidate for which we do provide credit enhancement (and so do have credit risk exposure), there is no correlation between our credit risk exposure and the amount of on-balance sheet loans we have. For example, we did not have credit risk exposure on 88.9%, 79.0% and 69.0% of the outstanding balance of loans that we consolidated on our balance sheet as of December 31, 2020, 2021 and 2022, respectively, whereas we did have credit risk exposure on 4.9%, 14.5% and 19.0% of the outstanding balance of loans that we did not consolidate on our balance sheet as of that same dates. For this reason, we separately disclose the proportion of loans on which we have credit risk and the proportion of loans that we consolidate. See “—Key Operating Metrics”. The use of trusts as funding partners affects our balance sheet but does not thereby affect how much credit risk we are exposed to. There is also no correlation between our credit risk exposure and whether the loan is secured by collaterals. Whether the loan is secured by collateral does not affect the credit risk exposure the Company is exposed to. For our secured loans, upon foreclosure, the proceeds we receive from the disposal reduce our actual credit net loss.

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Under our retail credit and enablement model, we earn fees for the enablement services as well as the guarantee that we provide (for trust funded loans the nature of the services we provide are the same as bank-funded loans although the fees are all classified under net interest income due to accounting standard requirement). The fees we earn for enablement services depend on the amount of services and the level of appraisal valuation work required during the loan application process. Our enablement services cover the entire loan process including borrower referral, risk analytics, and post-loan services. We collect one combined service fees covering both loan enablement and post-origination services from the borrowers on a monthly installment basis. In accordance with the principles of IFRS 15 applicable for off balance loans, we do not have an observable standalone selling price for the loan enablement services or post-origination services because we do not provide loan enablement services or post-origination services on a standalone basis in similar circumstances to similar customers. As a result, we use an expected cost plus margin approach to estimate the standalone selling prices of loan enablement services and post-origination services as the basis of revenue allocation. The pricing of guarantee fee we charged to borrowers is determined with reference to the expected risk of the borrowers and the guarantee fee is recognized based on the remaining balance we guarantee over the duration of loan.

Consumer finance loans. Our consumer finance subsidiary funds the loans that it enables and consolidates them all on its balance sheet. We recognize the income from the consumer finance loans as net interest income. Borrower acquisition costs are deducted from net interest rather than being recognized separately. Our consumer finance subsidiary bears risk on a large majority of the loans that it enables while the remainder is borne by third parties.

Lujintong. We charge our partner banks a referral fee based on the loan volume that is generated by Lujintong referrals, which we recognize as referral income from platform service. We do not make funding arrangements, perform credit analysis, bear any credit risk, co-design products or monitor any of the characteristics of any resulting loans such as tenor, repayment status, or outstanding balance.

See “Financial Information” and the Accountant’s Report in Appendix I for more detail.

Relationship with credit enhancement providers

In our core retail credit and enablement business model, how much credit risk we take on ourselves depends on a dynamic mix of commercial factors, including the pricing of third-party credit enhancement and the willingness of our funding partners to bear risk, as well as regulatory guidance. Our loan enablement can be done either with or without third-party credit enhancement, and if the cost of third-party credit enhancement is not commercially attractive or our credit enhancement providers, including Ping An Group, encounter any difficulties in continuing to provide credit enhancement services, we will increase the proportion of loans for which we bear credit risk, depending on the balance of risk and reward. The percentage of outstanding loans with credit risk exposure for our company was 6.3%, 16.6% and 23.5% as of December 31, 2020, 2021 and 2022, respectively. Going forward, we intend to increase the percentage of outstanding loans with credit risk exposure for our company to at least 30%. All of the third party credit enhancement providers that we used during the Track Record Period and up to the Latest Practicable Date were properly licensed during the life of the loans that they insured or guaranteed.

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Due to the effects of COVID-19 lockdowns and other associated macroeconomic challenges on the Chinese economy, the cost of third-party credit enhancement remains at elevated levels, reflecting the historical loss experience on older vintages of loans. Furthermore, we remain conscious of the possibility that the PRC government will continue to encourage players in our industry to bear more risk on the loans that they enable or impose new restrictions on the use of third-party credit enhancement. For both of these reasons, we are looking to increase the amount of credit risk that we bear through our licensed financing guarantee subsidiary on the loans we enable, and continually reassessing the terms of our cooperation with third-party credit enhancement providers.

The financial impact of our increasing risk bearing through providing a higher proportion of guarantee on the loans we enable depends on the expected credit loss when pricing our guarantee and the actual credit loss incurred. We will generate incremental profit if actual credit loss is in line or lower than the expected credit loss, and on the other hand our earnings will be negatively impacted if actual credit loss exceeds the fees we earn from providing the guarantee. In today's environment, third party credit enhancement providers are setting their prices higher than usual due to a more cautious assessment of future expected risk after incurring higher historical losses. Our extensive experience in post-loan monitoring and collection services gives us first-hand information regarding the latest market conditions and credit performance trend of the borrowers which allows us to reflect such into appropriate guarantee pricing with little time lag. As we expect macroeconomic recovery to be underway, our shift towards targeting borrowers with higher creditworthiness will improve the asset quality on newer vintages and likewise improve the financial performance of the credit enhancement that we provide. If our expectations prove to be correct, this would be a favorable time from a risk/reward perspective to increase the level of credit enhancement that we provide. However, the possibility that increasing impairment losses would outweigh higher credit enhancement premiums still remains a risk.

Relationship with funding partners

We have ongoing discussions with our funding partners regarding our cooperation with third-party credit enhancement partners. The increase in the level of the risk that we bear over the Track Record Period has not affected our cooperation with funding partners to date. In terms of actual progress made, we have initiated dialogues with approximately two thirds of our 81 funding partners, and 10 banks and 5 trust companies among our partners have already agreed to the new arrangement where we do not engage external credit enhancement partners to provide credit enhancement services and we provide 100% of any credit enhancement through our licensed financing guarantee subsidiary. Moreover, our financial guarantee subsidiary is rated AAA by China Chengxin International Credit Rating (CCXI), in line with our current credit enhancement partners such as Ping An P&C. It also enjoys a strong capital position, with net assets of RMB13.4 billion, RMB47.4 billion and RMB47.9 billion as of December 31, 2020, 2021 and 2022, respectively, as well as abundant leverage available, with a 1.8x, 1.8x and 2.0x leverage ratio as of the same dates. Thus, we do not expect a significant impact on our relationship with funding partners.

We do not compete with banks for the same type of borrowers. Typical banks are designed to serve customers who demand very large ticket sizes, typically RMB10 million or higher, due to their set-up and cost structure. They generally do not have cost-effective means to reach SBOs and they may lack the required risk management capabilities to properly assess SBO risks. They often have no access to

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borrowers' social data, such as location data, shared contact information and voiceprint data, which leads to difficulties in forming accurate customer portraits. This leads to a reliance on collateral-based assessment, which increases the approval time required and is difficult for many SMBs as they lack collateral that can be pledged. Furthermore, many traditional financial institutions continue to use conventional systems in the risk management process, which still require manual verification and a lengthy paperwork process, and makes loans to borrowers other than large enterprises uneconomical. Banks' risk appetite is also constrained by their preference to keep their non-performing loan ratio at very low levels.

SBOs as individuals may only qualify for small credit amounts, such as credit cards, from banks unless they are willing and able to pledge assets as collateral. Our 17 years of accumulated proprietary data and our AI-driven dynamic risk modeling give us the ability to assess both the SBOs as individuals and their businesses together as a whole to achieve higher precision in credit evaluation and risk-based loan sizing and pricing in China. By arranging for credit enhancement or by providing it ourselves, we enable the banks to get comfortable with making business loans to SBOs both with and without collateral.

As part of the loan enablement process, we also provide post-origination services. Post-origination services include repayment reminders, payment processing, and collection services. Borrowers whose loans are overdue by one day are contacted by AI, and all other borrowers with overdue loans are contacted by a live collection agent. The relatively large average ticket size of the loans that we enable makes it more cost-efficient for us to escalate the collection process for delinquent loans, as compared to platforms that primarily enable small consumer loans. In line with common industry practice, we use third-party collection agencies to collect loans that are delinquent for more than 80 days. We regularly evaluate our agency partner companies based on their performance, service quality and compliance with relevant laws and regulations. See "Business—How We Enable Our Institutional Partners—Loan Servicing and Collection Services."

Below is a summary of relevant financial and operational figures and metrics as of December 31, 2020, 2021 and 2022 to illustrate the unit economics for retail credit enablement, including loans enabled under our Puhui brand and through our consumer finance subsidiary. These financial figures provide a representative basis for understanding income, expenses, and profits relative to the business scale for our retail credit and enablement business.

	For the Year Ended December 31,		
	2020	2021	2022
	<i>(RMB in millions except for percentages)</i>		
Average outstanding loans ⁽¹⁾	516,000	609,000	648,000
Total income from retail credit and enablement business ⁽²⁾	49,275	58,416	55,002
Revenue take rate ⁽³⁾ (%)	9.5%	9.6%	8.5%
Operating expenses ⁽⁴⁾	27,708	28,958	25,652
Impairment losses ⁽⁵⁾	2,996	6,349	15,931
Profit before income tax expenses	18,571	23,109	13,420

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Notes:

1. The average of the average outstanding balances of loans enabled during the first, second, third and fourth quarter of 2022, rounded to the nearest billion.
2. Includes loan enablement service fees, post-origination service fees, net interest income, guarantee income and the penalty fees and account management fees.
3. Calculated by dividing the aggregated amount of loan enablement service fees, post-origination service fees, net interest income, guarantee income and the penalty fees and account management fees by the average outstanding balance of loans enabled for each period.
4. Includes sales and marketing expenses—borrower acquisition expenses, sales and marketing expenses—general sales and marketing expenses, general and administrative expenses, operation and servicing expenses and technology and analytics expenses. Operating expenses exclude sales and marketing expenses—investor acquisition and retention expenses, which is related to wealth management business, and sales and marketing expenses—referral expenses from platform service, which is related to Lujintong, both of which are not related to our retail credit and enablement business. Operating expenses include head office overhead and other business line expenses which are not exclusively related to our core retail credit and enablement business.
5. Includes actual and expected losses from loan to customers, accounts and other receivables and contract assets related to our retail credit and enablement business and guarantee contracts.

We had a cumulative total of 19.0 million borrowers as of December 31, 2022. Our total outstanding balance of loans was RMB576.5 billion (US\$82.9 billion) as of December 31, 2022, of which RMB29.7 billion (US\$4.3 billion) or 5.1% consists of loans enabled by our licensed consumer finance subsidiary.

DECLINING FINANCIAL PERFORMANCE

Beginning in 2020, outbreaks of COVID-19 resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China. Normal economic life throughout China was sharply curtailed. We took a series of measures to protect our employees, including temporarily closing our offices, facilitating remote working arrangements for our employees, including our collection staff, and canceling business meetings and travels. The operations of some of our business partners and service providers were also constrained and impacted. The population in most of the major cities was locked down to a greater or lesser extent at various times and opportunities for discretionary consumption were extremely limited. In particular, many of our borrowers are small business owners, and some of them were unable to operate their businesses and lost the ability to repay their loans as a result of lockdowns or other measures instituted to control the spread of the pandemic. These events negatively affected our small business owner borrowers and have contributed to the steady rise in loan delinquency over the Track Record Period for loans we enabled.

COVID-19 has had a significant impact on the Chinese economy in 2021 and 2022. The demand for retail credit enablement in China is dependent upon overall economic conditions. General economic factors, including GDP growth, the interest rate environment and unemployment rates, may affect borrowers' willingness to seek loans and ability to repay them. In addition, small business owners were particularly vulnerable to the effects of the temporary lock-downs that were imposed from time to time in different

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places in China to prevent the spread of COVID-19. Many small business owners cannot work remotely and rely on foot traffic and in-store purchases to generate sales. Weakening economic conditions, combined with the impact of COVID-19, have weighed on borrowers' willingness to borrow and ability to repay.

In early 2022, a resurgence of COVID-19 led to a series of regional lock-downs across China and suspension of offline business activities. To comply with government measures, we adjusted our collection operations in Shanghai and certain other cities in China to focus on online activities, which adversely impacted the effectiveness of our collection services. Our core small business owner segment, which made up the majority of our new loans enabled in 2022, has been among the earliest and most significantly impacted by the deteriorating macro environment. In addition, there was a spike in the number of cases of COVID-19 reported in China during October and November of 2022, before the Chinese government began to modify its zero-COVID policy in December 2022. Immediately after the relaxation of the zero-COVID policy, we witnessed a surge in COVID-19 cases nationwide, before economic activities started returning back to normal. Our risk metrics further worsened for the fourth quarter of 2022 as a result of the effects on economic activity in China.

We witnessed worsening delinquency rates as well as rising credit impairment losses, weighing on our profitability in 2022. Our DPD 90+ delinquency rates, as measured by the outstanding balance of loans for which any payment is 90 to 179 calendar days past due divided by the outstanding balance of loans, increased from 1.2% as of December 31, 2021 to 2.6% as of December 31, 2022. Our credit impairment losses widened from RMB6.6 billion in 2021 to RMB16.6 billion (US\$2.4 billion) in 2022, representing 10.7% and 28.5% of our total income, respectively. Our net profits decreased from RMB16.7 billion in 2021 to RMB8.8 billion (US\$1.3 billion) in 2022.

We maintained a stable cash and cash equivalents balance of RMB29.5 billion as of December 31, 2022, as compared to RMB26.5 billion as of December 31, 2021. We also had ample liquid financial assets of RMB43.4 billion (US\$6.2 billion), consisting of RMB14.3 billion (US\$2.1 billion) in term deposits with maturity over three months, and RMB29.1 billion (US\$4.2 billion) in financial assets at fair value through profit or loss as of December 31, 2022. These liquid financial assets can be easily converted into cash to support working capital needs. In addition, our financing guarantee subsidiary maintained a low leverage ratio of 2.0x as of December 31, 2022, as compared to 1.8x as of December 31, 2021. Despite of recent fluctuations in our financial performance, our liquidity and capital position remains resilient, and provides a solid foundation for us to navigate through business cycles.

We experienced a similar cycle of macroeconomic challenges at the onset of the COVID-19 pandemic in 2020, when the Wuhan lockdown affected our collection operations in a way similar to the business disruption we experienced in 2022. At that time, we adopted an enhanced risk-management measure in customer selection by tightening lending standards in the regions and industries that were most impacted by the pandemic. The negative impact from the pandemic was concentrated within a limited number of regions and we successfully drove a swift recovery in our credit and business performance in the period following the initial COVID-19 shock. Our total volume of new loans increased from RMB565.0 billion in 2020 to RMB648.4 billion in 2021. The DPD 90+ delinquency rate quickly restored to 1.3% within 3 months after

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reaching a peak of 1.8% as of June 30, 2020. Our net profits increased from RMB12.3 billion in 2020 to RMB16.7 billion in 2021.

The wide-spread lock-downs across China and the recent resurgence of the pandemic and spike of inspected cases in 2022 had a larger impact on business activities and our performance as compared to the beginning of COVID-19 pandemic. We thus have implemented broader adjustments to our credit policy and business operations. There are three stages to the approach we have adopted:

Stage 1: Broader credit policy adjustment

During the course of 2022, we tightened up our credit standards to make clear choices in customer risk ratings, geography and channel.

- *Customer risk ratings:* we raised our risk acceptance criteria across all segments to focus on loan enablement to high quality customers with better creditworthiness. For example, we have cut loan enablement to borrowers with a credit score of R5 or lower.
- *Geographical selection:* while credit quality deterioration took place across the board in China in 2022, we witnessed growing differences in economic resilience and underlying credit performance by region. We carefully reviewed our loan portfolio by geographies across China and made trade-offs as to where are we going to apply the credit cut-off. The contribution of new loans enabled from the top third provinces, as measured by the flow rate of the loans, was higher in the fourth quarter of 2022 than in the third quarter of 2022.
- *Channel selection:* we scaled down our third party channels as we have noticed deterioration of credit quality of borrowers sourced through those channels.

Such measures have allowed us to sustain our existing business on the back of macroeconomic challenges.

Stage 2: Business adjustment and operating efficiency improvement

Starting from the third quarter of 2022, we have prioritized asset quality over asset growth in new loan enablement by focusing on high quality customers in more economic resilient regions. In addition, we have adopted various cost control measures to manage operational and customer acquisition costs. We streamlined management layers and revised our direct sales force to be more nimble and productive. We reduced the headcount of our direct sales force from approximately 58,000 full-time employees as of September 30, 2022 to approximately 46,000 full-time employees as of December 31, 2022. We have retained the more productive employees in our direct sales force, which has resulted in improved productivity in January 2023 as compared to the fourth quarter of 2022. Our cost-to-income ratio decreased from 48.8% for the year ended December 31, 2021 to 46.3% for the year ended December 31, 2022. We will continue to make appropriate cost control and operational adjustments based on business needs.

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Stage 3: Back to sustainable growth and profitability as economy is returning to normal

In view of the elevated credit insurance pricing from third-party credit enhancement providers, we have started to undertake discussions with funding partners and diversified our credit enhancement arrangements by providing more credit enhancement through our own financing guarantee subsidiary. We target to complete these discussions with the majority of our funding partners in the next few quarters. We believe such initiatives are essential to protecting our margins and allowing us to maintain strategic flexibility. As of the Latest Practicable Date, 19 of our 81 current funding partners have already agreed to the arrangement under which our financing guarantee subsidiary provides the full provision of credit enhancement, gradually alleviating future margin pressure from the elevated fees currently sought by third-party credit enhancement providers. We are well positioned to increase the proportion of loans which we bear risk given our stable funding sources, long term relationship with our institutional partners, and the ample headroom from our financing guarantee subsidiary's low guarantee leverage ratio.

The abovementioned adjustments will provide a runway for our business to return to normal on the back of normalized credit metrics and a reboot of the Chinese economy following the modification of the zero-COVID policy.

As SMBs are highly dependent on the macroeconomic environment, we expect that the operations of SMBs will gradually return to normal following the recent COVID-19 policy changes in China. We have consciously chosen to scale down our new loan volume, which has resulted in and will continue to lead to declining income in the next few quarters. Due to the lagging effect of SMB business recovery, we also expect our delinquency rates to remain at elevated levels and indemnity loss to continue to increase given default of the loans we enabled in prior years during the credit deterioration period, weighing on our near-term profitability in the next few quarters. We expect indemnity loss to continue to maintain at a relatively elevated level for a few quarters in 2023 due to the default of those loans we enabled during the credit deterioration period in 2022. We have adopted a prudent provision policy for credit impairment loss, taking into account the potential increase in the proportion of loans for which we bear credit risk and our outlook on macroeconomic and credit conditions. The indicators that the Group is monitoring closely include consistent improvement in and stabilization of the flow rate as well as the asset quality of new loan vintages compared with older ones as measured by delinquency rates by vintage. Improvement in financial performance should follow in the coming quarters after recovery of these indicators. While it is too early to say which phase of the U-shape we are at, leveraging our experience with driving business recovery from the Wuhan lockdown and throughout the COVID-19 period, we believe we can deliver a U-shaped recovery in our business, though the timing and magnitude of any such recovery are still uncertain and subject to many contingencies.

HOW WE ENABLE SMALL BUSINESS OWNERS AND RETAIL BORROWERS

We enable SBO and retail borrowers by connecting them with institutional partners and making the borrowing process faster, simpler and more intuitive to effectively address their financing needs.

Our Borrowers

Under our Puhui brand, we target small business owners who have residential property, automobiles, financial assets and some access to commercial bank credit. Small business owners often need larger ticket

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size loans on short notice for imminent commercial operating needs of their businesses and yet are underserved by traditional financial institutions. We also enable loans to salaried workers who need large ticket size consumption loans for purposes such as education, home decoration, and purchase of consumer durables.

Many of our SBO borrowers have fewer than 50 employees and annual revenues of less than RMB30 million. Some of them do business through a corporation, others through a partnership, still others as a sole proprietor, but regardless of the legal form of the business, the owner of the business is always the borrower in his or her personal capacity, so that the owner cannot avoid repayment of the loan on the basis of having limited liability for the debts of the entity.

Our SBO borrowers are engaged in a very diverse set of businesses. These include retail and wholesale commerce, construction and renovation, manufacturing, business services, scientific research, information technology, hospitality, and residential services, among others. Borrowers from the top five industries amounted to 75% of our volume of new loans enabled during the fourth quarter of 2022. Some of them operate more than one business, either simultaneously or sequentially. They are also geographically diverse: no city accounted for more than 3.7% of the outstanding balance of general unsecured and secured loans we enabled as of December 31, 2022. This diversity in economic activity and geographical distribution diversifies our risk.

As of December 31, 2022, we had over 6.6 million cumulative SBO borrowers and around 2.5 million SBO borrowers with loans outstanding under our Puhui brand. Small business owners accounted for approximately 72%, 78% and 86% of all new loans we enabled under our Puhui brand in 2020, 2021 and 2022, respectively, and 68%, 76% and 82% of the balance of such loans as of December 31, 2020, 2021 and 2022, respectively. As we continue to target small business owners, we expect them to account for an even larger percentage of all such new loans we enable going forward.

In response to ongoing developments in the Chinese economy, we have been concentrating our efforts on borrowers for our general unsecured loans at the higher end of our internal ranking of creditworthiness. In 2022, of the borrowers of loans under our Puhui brand, 91% had credit cards, 43% owned residential property, 45% had life insurance policies, and 53% had no unsecured loans outstanding from banks. Those borrowers whom we define as high quality borrowers, i.e. borrowers ranked R3 or higher based on our recently adopted R1 (highest) to R6 (lowest) borrower quality ranking system, accounted for 48.2% of the general unsecured loans we enabled in 2022, as compared to 31.8% under the same criteria in 2021.

Beginning in June 2020, we also make loans through our newly established consumer finance subsidiary. Borrowers of consumer finance loans are typically looking to meet personal short-term cash flow needs or to make discretionary purchases of consumer goods.

We attach great importance to complaints from borrowers and have put in place a series of internal complaint-handling policies and procedures to timely and effectively address the filed complaints. We also establish a consumer protection committee to supervise the implementation and execution of our complaint-handling policies and procedures as well as a customer support team with over 600 members dedicated to

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handling borrowers' complaints. In addition, we consider complaint-handling capabilities in evaluating the performance of senior management members of our company as an important metric that impacts their performance rankings. During the Track Record Period and up to the Latest Practicable Date, we had not experienced material complaints from borrowers. The customer complaint rate for 2020, 2021 and 2022 was 0.0026%, 0.0011% and 0.0008%, respectively.

Sourcing Borrowers

We had a cumulative total of 19.0 million borrowers as of December 31, 2022. The number of active borrowers for whom we enabled loans increased from 4.4 million in 2020 to 4.9 million in 2021 and decreased to 4.8 million in 2022. We source borrowers through a variety of channels. Our new loan volume based borrower acquisition cost as a percentage of the volume of new loans we enabled was 2.4%, 2.2% and 2.0% for the years ended December 31, 2020, 2021 and 2022, respectively.

Retail Credit and Enablement

We source borrowers under our Puhui brand primarily through offline channels, because we primarily focus on loans with larger ticket sizes that often require additional consultation services to be provided to the borrowers during the origination process. The origination of these loans incurs higher costs as compared to the origination of smaller ticket size consumer loans but it also generates more value.

The following table shows the volume of new general unsecured and secured loans we enabled under our Puhui brand by origination channel for the years indicated.

	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>
Volume of New Loans	<i>(in billions, except percentages)</i>					
Direct sales	269.5	48.3	309.6	49.7	247.1	56.6
Channel partners	223.8	40.1	233.1	37.4	125.9	28.8
Online and telemarketing	65.1	11.7	80.4	12.9	63.8	14.6
Total	<u>558.5</u>	<u>100.0</u>	<u>623.1</u>	<u>100.0</u>	<u>436.8</u>	<u>100.0</u>

Direct Sales

We had a direct sales network of over 40,000 full-time employees as of December 31, 2022, of whom over 95% have a junior college education or above. Together they covered approximately 300 cities across China. Our direct sales force proactively seeks out potential borrowers using their own knowledge and contacts with the help of a specialized mobile app designed to optimize their time and efforts. This system tracks and shows location and travel data for all of our sales employees in real time. Our system can further overlay an AI heat map showing our borrowers and their borrowing characteristics, which allows us to identify regions with higher sales potential.

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Our direct sales channel gives us the capability to enable loans with larger ticket size as these borrowers tend to have more demand for face-to-face consultation. These consultations typically encompass explanation of how our credit application process works, our overall assessment criteria, loan repayment terms, as well as the loan collection process should the borrowers fails to repay on time. For borrowers who are less familiar with our online loan application process, our direct sales team would provide on the ground assistance to guide them through the usage of the online application system to ensure a seamless customer experience.

In supervising and evaluating the performance of our direct sales network, we give close attention to the creditworthiness of the borrowers they bring in. The productivity of our direct sales force has been stable across the Track Record Period, as evidenced by the volume of new loans sourced per employee per month, which was RMB402 thousand in 2020, RMB427 thousand in 2021 and RMB363 thousand (US\$52.2 thousand) in 2022.

Our direct sales channel was responsible for sourcing RMB269.5 billion, or 48.3%, of our total volume of new loans in 2020, RMB309.6 billion, or 49.7%, of our total volume of new loans in 2021 and RMB247.1 billion (US\$35.5 billion), or 56.6%, of our total volume of new loans in 2022. Of the loans sourced by our direct sales channel in 2022, 79% were for borrowers located in cities that we classify internally as more economically developed.

Channel Partners

We complement our direct sales force with a large and robust set of channel partners. Our channel partners introduce borrowers and are paid referral fees for each loan originated.

The following table shows the volume of new loans we enabled through individual referrals and corporate referrals.

Volume of New Loans	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>
Individual referrals	208.0	37.2	193.1	31.0	102.2	23.4
Corporate referrals	15.8	2.8	40.0	6.4	23.7	5.4
Total channel partners	<u>223.8</u>	<u>40.1</u>	<u>233.1</u>	<u>37.4</u>	<u>125.9</u>	<u>28.8</u>

(in billions, except percentages)

We cooperate with both individual and corporate channel partners in acquiring customers. Individual referrals are referrals from individuals acting in their personal capacity only. Although substantially all of these individuals are associated with Ping An Group entities as sales representatives, the corresponding Ping An Group entities are not involved in the referrals. Individual referrals are rewarded on the basis of a referral program where individuals sign up with the Group and receive fees on successfully referred borrowers. Corporate referrals are referrals from corporate entities. These include certain Ping An

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associated entities, but all of the entities combined contributed less than 0.5% of our new loan volume in 2022. Corporate referrals are compensated based on successful referrals stipulated by intra-party contracts signed with partner entities. Our corporate channel partners include a wide range of businesses, such as point-of-sale payment agencies and tax system providers. Our channel partners are supported by our proprietary partner management system that helps us allocate resources and design incentive plans more efficiently. Individual referrals were responsible for sourcing RMB208.0 billion, or 37.2%, of the new loans we enabled in 2020, RMB193.1 billion, or 31.0%, of the new loans we enabled in 2021, and RMB102.2 billion, or 23.4%, of the new loans we enabled in 2022. Corporate referrals were responsible for sourcing RMB15.8 billion, or 2.8%, of the new loans we enabled in 2020, RMB40.0 billion, or 6.4%, of the new loans we enabled in 2021, and RMB23.7 billion, or 5.4%, of the new loans we enabled in 2022.

Online and Telemarketing

As of December 31, 2022, we employed over 3,000 employees to engage in targeted online and telemarketing campaigns to reach customers based on their potential need for loans, which we have identified from online behavioral data and other big data techniques. Our online and telemarketing channel primarily enables general unsecured loans, and it focuses on helping high-quality borrowers borrow new loans.

We have leveraged the application of advanced AI technology to maintain the productivity of our online and telemarketing channel. The volume of new loans sourced per employee per month by our online and telemarketing channel was RMB1,181 thousand in 2020, RMB1,609 thousand in 2021 and RMB1,265 thousand (US\$181.9 thousand) in 2022. The productivity is relatively high because we use our online and telemarketing channel primarily to generate repeat business from existing customers.

Our online and telemarketing channel was responsible for sourcing RMB65.1 billion, or 11.7%, of the new loans we enabled in 2020, RMB80.4 billion, or 12.9%, of the new loans we enabled in 2021, and RMB63.8 billion (US\$9.2 billion), or 14.6%, of the new loans we enabled in 2022.

Consumer Finance

Our consumer finance subsidiary acquires customers online through our consumer finance app and traffic platforms and offline through our direct sales network. In 2022, we sourced 42.2% of our consumer finance borrowers offline and 57.8% online. The number of borrowers with outstanding consumer finance loans increased from 168 thousand as of December 31, 2020 to 608 thousand as of December 31, 2021 and further to 1.3 million as of December 31, 2022.

Lujintong

We are continuing to develop a new service branded Lujintong (陸金通) which aims to help our financial institution partners to acquire borrowers directly through dispersed sourcing nationwide as an additional way for us to cooperate with them. We have established an offline direct relationship management team across different cities in China to acquire and service agents for Lujintong. Lujintong refers borrowers that are introduced through our Lujintong app by over 10,000 third-party agents across China. The borrowers under Lujintong referrals are customers acquired by third party loan agents served on the Lujintong platform. These borrowers are individuals or SMBs who are of a lower risk profile than the

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target customers for the Company’s core retail credit and enablement model, and therefore qualify for loans directly from banks at lower interest rates without requiring our enablement services. This service has been initiated principally through cooperation with Ping An Bank for expansion to other financial institution partners over time. Lujintong has helped enable approximately RMB124 billion in loans in 2022. We are not involved in the loan application, fraud detection or credit approval process and we do not bear any credit risk for loans made to borrowers we refer through Lujintong.

Loan Products

We enable both secured and general unsecured loans under our Puhui brand. The typical borrower of a secured loan is a small business owner who uses the loan proceeds for business operations. Borrowers of general unsecured loans include both small business owners and salaried workers who use the loan proceeds for business operations or personal consumption. We base our credit assessment on individual data for salaried workers and a combination of individual and business data for small business owners, plus the characteristics of the collateral for borrowers of secured loans, who are almost all small business owners. We only accept residential property and automobiles as collateral. We also make consumer finance loans to retail borrowers through our licensed consumer finance subsidiary. The following chart summarizes some of the characteristics of these various borrowers and their loans in 2022:

	Core Retail Credit and Enablement Model		
	General Unsecured Loans	Secured Loans	Consumer Finance Loans
Credit Risk Assessment	• Individual, business	• Individual, business, collateral	• Individual
Average Ticket Size	• RMB240,179 (US\$34,536)	• RMB438,675 (US\$63,078)	• RMB5,979 (US\$860) ⁽¹⁾
Average Contractual Tenor	• 38.0 months	• 38.8 months	• N/A
Average APR	• 21.1%	• 15.7%	• 20.6%
Repayment Schedule	• Fixed installments	• Fixed installments or balloon payment	• Fixed installments

Note:

(1) This represents the average single drawdown amount for consumer finance loans.

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The following table shows the outstanding balance of loans under Puhui and our consumer finance subsidiary by product as of the dates indicated.

Outstanding Balance	As of December 31,					
	2020		2021		2022	
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>
	<i>(in billions, except percentages)</i>					
General unsecured loans ⁽¹⁾	447.8	82.1	520.1	78.7	423.8	73.5
Secured loans	93.7	17.2	129.3	19.6	123.1	21.4
Consumer finance loans	3.6	0.7	11.6	1.8	29.7	5.1
Total	<u>545.1</u>	<u>100.0</u>	<u>661.0</u>	<u>100.0</u>	<u>576.5</u>	<u>100</u>

Note:

(1) General unsecured loans include RMB0.4 billion of legacy products in 2020.

The following table shows the volume of new loans by product during the years indicated.

Volume of New Loans	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>
	<i>(in billions, except percentages)</i>					
General unsecured loans	436.1	77.2	481.7	74.3	318.6	64.3
Secured loans	122.3	21.7	141.5	21.8	118.2	23.9
Consumer finance loans	6.5	1.2	25.3	3.9	58.6	11.8
Total	<u>565.0</u>	<u>100.0</u>	<u>648.4</u>	<u>100.0</u>	<u>495.4</u>	<u>100</u>

The following table shows our quarterly loan vintage based on our outstanding loan balance enabled during the Track Record Period:

Vintage	Outstanding Loan Balance Enabled (RMB billions)⁽¹⁾											
	2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2017	9.0	3.9	0.9	0.1	0.01	–	–	–	–	–	–	–
2018	70.1	48.8	30.9	18.4	9.7	4.3	1.2	0.1	0.02	–	–	–
2019	283.4	214.1	159.4	119.8	87.6	63.2	43.2	27.7	16.0	8.0	2.7	0.4
2020	140.3	250.9	341.6	402.9	320.7	251.9	195.8	151.9	114.4	84.0	58.3	38.0
2021	–	–	–	–	159.1	281.5	396.0	469.7	386.1	312.9	249.1	197.6
2022	–	–	–	–	–	–	–	–	138.4	231.3	298.4	310.9
Total	<u>502.8</u>	<u>517.6</u>	<u>532.8</u>	<u>541.2</u>	<u>577.1</u>	<u>600.8</u>	<u>636.2</u>	<u>649.4</u>	<u>655.0</u>	<u>636.3</u>	<u>608.6</u>	<u>546.9</u>

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Note:

1. Excluding legacy products and consumer finance loans.

Loans are available on flexible terms. The loan products we enable under our Puhui brand permit large ticket sizes, long tenors and early repayment options, which are important features for small business owners.

The maximum permitted ticket size in 2022 was RMB10 million for secured loans and RMB1 million for general unsecured loans. Average loan size for these loans was considerably smaller. The following table shows the average ticket size for loans we enabled in Renminbi for both general unsecured loans and secured loans and the average drawdown in Renminbi for consumer finance loans. The increase in the average ticket size is generally due to our pivot to serving more SBOs and higher quality borrowers.

	As of December 31,		
	2020	2021	2022
Average Ticket Size / Drawdown	<i>(RMB)</i>		
General unsecured loans	164,483	199,502	240,179
Secured loans	390,467	430,795	438,675
Consumer finance loans	3,301	3,797	5,979

In general, the maximum contractual tenor offered on general unsecured loans and secured loans is 36 months, and most borrowers choose a tenor of 36 months. In 2021, we began to enable loans with contractual tenors of up to 60 months to selected borrowers, but we discontinued this practice in 2023. The following table shows the average contractual tenor for loans we enabled in months, for both general unsecured loans and secured loans.

	As of December 31,		
	2020	2021	2022
Average Contractual Tenor	<i>(months)</i>		
General unsecured loans	35.3	35.4	38.0
Secured loans	36.0	35.9	38.8

Due to early repayment options, the effective tenor will be shorter than the average contractual tenor. The table below sets forth the estimated effective tenor of loans that we do not consolidate on our balance sheet, after considering assumptions of early repayment, as of December 31, 2020, 2021 and 2022.

	As of December 31,		
	2020	2021	2022
Estimated Effective Tenor for Off-Balance Sheet Loans	<i>(months)</i>		
General unsecured loans	19.18	19.37	19.75
Secured loans	12.64	13.44	14.62

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Our consumer finance revolver loans have a typical contractual tenor of 12 months, and our consumer finance installment loans have a maximum contractual tenor of 36 months.

We enable loans with fixed installment and balloon payment repayment schedules. As of December 31, 2022, approximately 91.0% of the loans we enabled under our Puhui brand had fixed installment repayment schedules and the other 9.0% had balloon payment schedules. Fixed installment loans include loans where the sum of the principal repayment and interest payment is fixed and service, insurance and guarantee fees gradually decrease as the outstanding balance decreases. We do not offer an interest-free period in any of the loans we enable under our Puhui brand.

In 2022, our average APR for new loans was 21.1% for general unsecured loans, 15.7% for secured loans and 20.6% for consumer finance loans. APR represents the monthly all-in borrowing cost as a percentage of the outstanding balance annualized by a factor of 12. The all-in borrowing cost comprises the actual amount of (a) interest, (b) insurance premiums or guarantee fees and (c) retail credit enablement service fees. The following table shows our average APR for new loans during the Track Record Period for general unsecured loans, secured loans and consumer finance loans. We have not enabled any loans with an APR higher than 24% for loan applications after September 4, 2020. As of December 31, 2022, the total outstanding balance of enabled loans with an APR higher than 24% but below 36% amounted to RMB8 billion representing 1% of our total outstanding balance of enabled loans.

	As of December 31,		
	2020	2021	2022
Average APR for New Loans			(%)
General unsecured loans	26.7	22.6	21.1
Secured loans	17.4	16.2	15.7
Consumer finance loans	19.1	20.3	20.6

General Unsecured Loans

General unsecured loans target both small business owners and salaried workers. In 2022, approximately 82.0% of the general unsecured loans we enabled, by volume, were borrowed by small business owners, and 18.0% by salaried workers. The average contractual tenor of new general unsecured loans we enabled during this period was 38.0 months and the average ticket size was RMB240,179 (US\$34,536).

Our outstanding balance of general unsecured loans enabled was RMB447.5 billion, RMB520.1 billion and RMB423.8 billion (US\$60.9 billion) as of December 31, 2020, 2021 and 2022, respectively. Our total volume of general unsecured loans enabled amounted to RMB436.1 billion, RMB481.7 billion and RMB318.6 billion (US\$45.8 billion) in 2020, 2021 and 2022, respectively.

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The following table presents the volume of general unsecured loans we enabled by ticket size for the years indicated:

Ticket Size	For the Year Ended December 31,					
	2020		2021		2022	
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	<i>(in billions, except percentages)</i>					
Up to RMB50,000	12.9	2.9	7.2	1.5	3.0	1.0
RMB50,001 to RMB100,000	57.7	13.2	38.5	8.0	18.5	5.8
RMB100,001 to RMB200,000	146.2	33.5	138.0	28.6	68.1	21.4
RMB200,001 to RMB300,000	131.4	30.1	159.2	33.1	93.5	29.3
RMB300,001 or above	88.0	20.2	138.8	28.8	135.5	42.5
Total	436.1	100.0	481.7	100.0	318.6	100.0

We focus on enabling loans with higher ticket size, which is an important feature for satisfying the needs of small business owners. As shown in the table above, only a small and decreasing percentage of the general unsecured loans we enabled had ticket sizes of RMB50,000 or lower, and the percentage of loans with ticket sizes over RMB300,000 has more than doubled since 2020.

Secured Loans

Secured loans target small business owners. Approximately 95.5% of the secured loans we enabled, by volume, were borrowed by small business owners. In 2022, the average contractual tenor of new secured loans we enabled was 38.8 months and the average ticket size was RMB438,675 (US\$63,078).

Our outstanding balance of secured loans enabled was RMB93.7 billion, RMB129.3 billion and RMB123.1 billion (US\$17.7 billion) as of December 31, 2020, 2021 and 2022, respectively. Our total volume of secured loans enabled amounted to RMB122.3 billion, RMB141.5 billion and RMB118.2 billion (US\$17.0 billion) in 2020, 2021 and 2022, respectively.

For our secured loans, we focus on SBOs who have residential property located in economically more developed cities which can be pledged as collaterals, given such cities' relatively stable economic growth and real estate prices. The majority of the outstanding balance of secured loans is secured by real estate and the remainder by automobiles. The real estate collateral is well diversified across China, with a large proportion located in more developed cities. As we continue to focus on serving more SBOs and higher quality borrowers, there has been an increase in the average ticket size for our secured loans during the Track Record Period. As a result, the average loan-to-value ratio at origination for the secured loans we enabled has grown from 67% in 2020 to 71% in 2021 and further to 74% in 2022.

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Consumer Finance Loans

We began to make consumer finance loans in June 2020 through our licensed consumer finance subsidiary. Borrowers of consumer finance loans are typically looking to meet personal short-term cash flow needs or to make discretionary purchases of consumer goods.

Our consumer finance loans include both revolver loans and installment loans. Our consumer finance revolver loans have a typical contractual tenor of 12 months, and our consumer finance installment loans have a maximum contractual tenor of 36 months. Our consumer finance loans had average drawdowns of RMB3.3 thousand, RMB3.8 thousand and RMB6.0 thousand in 2020, 2021 and 2022, respectively.

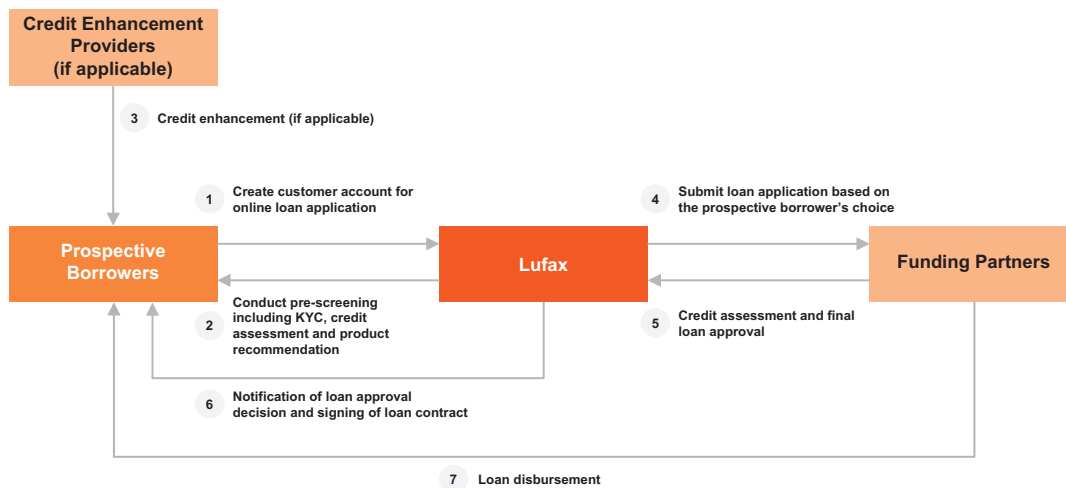
Our outstanding balance of consumer finance loans was RMB3.6 billion, RMB11.6 billion and RMB29.7 billion (US\$4.3 billion) as of December 31, 2020, 2021 and 2022, respectively. Our total volume of consumer finance loans amounted to RMB6.5 billion, RMB25.3 billion and RMB58.6 billion (US\$8.4 billion) in 2020, 2021 and 2022, respectively.

OUR TRANSACTION PROCESS AND FUND FLOW

Loan Application and Credit Assessment Workflow

The charts below illustrate the loan application and credit assessment workflow when loans are enabled by our core retail credit and enablement model and by our consumer finance subsidiary.

Core Retail Credit and Enablement Model



Step 1: We source borrowers under our Puhui brand primarily through offline direct sales channel, as well as a large and robust set of channel partners. Once an individual is identified as a prospective customer, he will be prompted to first create a customer account for online loan application.

Step 2: After receiving the prospective borrower's loan application, we will conduct pre-screening including KYC, credit assessment, and product recommendation via Luzhangfang, which is supported by

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big data, AI and multi-dimensional analytic models. We initiate credit assessment with AI interviews at the front-end and human support at the back-end. These assessments include observations from AI video interview, customer identification, voiceprint matching and referencing historical credit record. We may also ask the prospective borrower to provide residential property and automobiles as collaterals alongside their loan application for credit assessment and product recommendation.

Step 3: Guarantee from our licensed financing guarantee subsidiary is provided to the borrowers. Credit enhancement options (credit guarantee insurance or guarantee) from third party credit enhancement providers are also offered to the borrowers, which they can apply for to enhance their loan application.

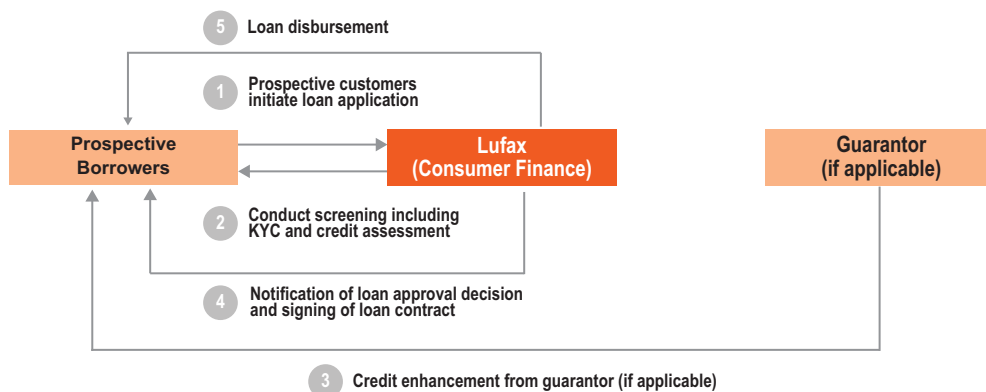
Step 4: Once the prospective borrower accepts the loan product we recommend, we will submit their loan application to the respective funding partner.

Step 5: Subsequently, the funding partners will also conduct their own credit assessment. If our funding partners reject the loan application of the prospective borrower, we will refer the prospective borrowers to other funding partners and resubmit their loan application. We will repeat this process for a total of three times for our prospective borrowers who have been previously rejected.

Step 6: If our financial institution partners accept the loan application, we will notify the prospective borrower on the final loan approval decision. The total loan APR and its components, including the interest, insurance premiums or guarantee fees, and the retail credit and enablement service fees, as well as the details of the loan repayment schedule and penalty fees are also presented to the borrowers on the app. We will explain the items to the borrowers, and the communication will be recorded. After the borrowers acknowledge the information and terms, we will enter into a borrower contract with them.

Step 7: Our funding partners will disburse the loans to the borrower directly upon the loan drawdown.

Consumer Finance



Step 1: Our consumer finance subsidiary acquires customers through both online and offline channels, primarily through its own consumer finance app, third party traffic platforms, as well as through its direct sales network. Once an individual is identified as a prospective borrower, he will be prompted to first initiate a loan application.

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Step 2: After receiving the prospective borrower’s loan application, our consumer finance subsidiary will conduct screening including KYC and credit assessment.

Step 3: Our consumer finance subsidiary will engage guarantor to provide credit enhancement based on the borrower’s credit profile.

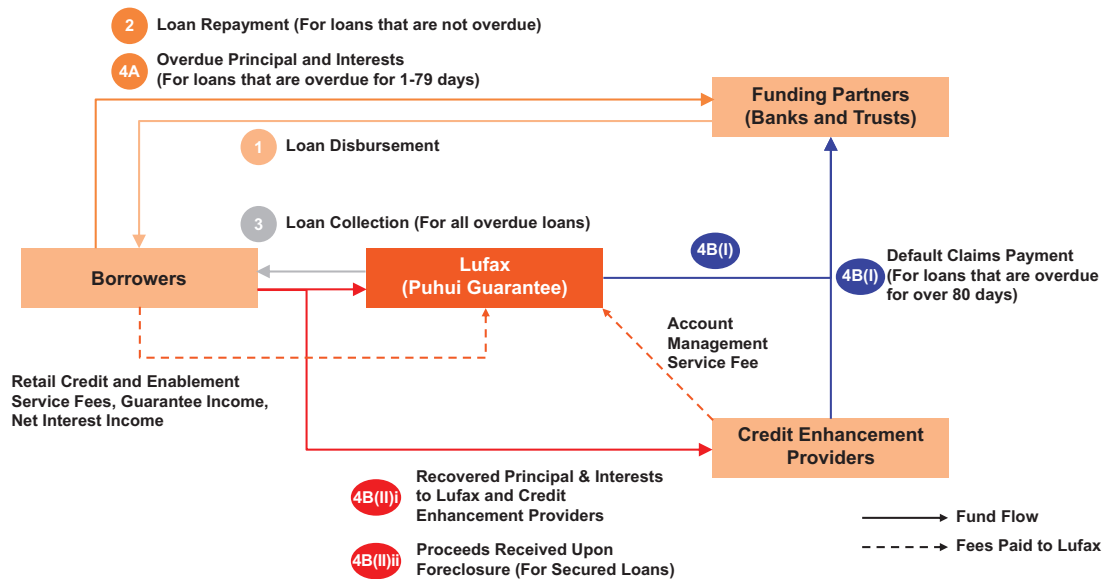
Step 4: If our consumer finance subsidiary accepts the loan application, the prospective borrower will be notified on the final loan approval decision. Afterwards, we enter into a borrower contract with them.

Step 5: Our consumer finance subsidiary will disburse funds to the borrower directly upon loan drawdown.

The Flow of Funds

The charts below illustrate the flow of funds when loans are enabled by our core retail credit and enablement model and by our consumer finance subsidiary.

Core Retail Credit and Enablement Model



Step 1: Our funding partners will directly disburse loans to borrowers.

Step 2: For normal loans, borrowers will repay the loan principal and interests directly to our funding partners.

Step 3: Once loans become overdue, we will initiate the loan collection process.

Step 4A: For loans that are overdue for 1-79 days, borrowers can still repay the overdue principal and interest directly to our funding partners.

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Step 4B(I): Once a loan becomes overdue for over 80 days, under our joint guarantee model where we guarantee the loan under our licensed guarantee subsidiary together with the credit enhancement providers, our licensed financing guarantee subsidiary (Puhui Guarantee) and credit enhancement providers will make the default claims payment to our funding partners, based on the respective guaranteed percentages and pre-agreed arrangements with the funding partners. Default claims payment is severally, not jointly, provided by our financing guarantee subsidiary and third party credit enhancement providers, and our financing guarantee subsidiary is only liable for the default claims payment in respect to the portion that it guarantees.

Step 4B(II)i: Once we are able to recover the principal and interests from borrowers, our guarantee subsidiary and credit enhancement partners will receive the payments from the borrowers based on the contractual arrangement.

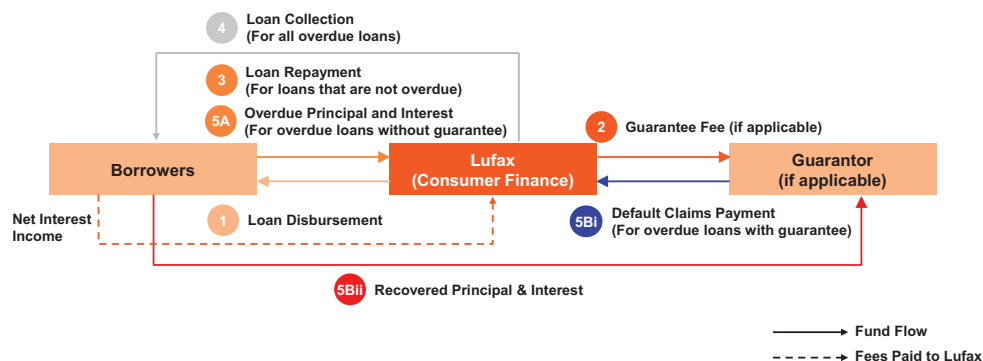
Step 4B(II)ii: For our secured loans, upon foreclosure, we act on behalf of the credit enhancement providers and our financing guarantee subsidiary, disposes of the collaterals via auction or consignment and use the proceeds to minimize or mitigate the losses for credit enhancement providers and our financing guarantee subsidiary, based on the pre-agreed guarantee percentage split.

Under our core retail credit and enablement model, we receive retail credit and enablement service fees, guarantee income and net interest income from our borrowers, as well as account management service fees from our credit enhancement providers. In some cases, we may receive performance-based fees from funding partners depending on credit performance of loans enabled by us.

The fund flow under different funding sources is quite similar. Once a new loan application passes our credit assessment process, we will refer the borrower to a funding partner and, if applicable, a credit enhancement provider for them to conduct an independent evaluation of the loan application. If the funding partner finds the borrower acceptable, it disburses the loan to the individual borrower directly.

As for the claim process, once a loan becomes delinquent for 80 days, a notice of claim will be sent to the credit enhancement provider, and the credit enhancement provider will typically complete its review and make the payment to the funding partner. For on-balance sheet loans, the payment is made to the consolidated trust plans.

Consumer Finance



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Step 1: Our consumer finance subsidiary will fund the loans and disburse the loans directly to the borrowers.

Step 2: We pay guarantee fee to the guarantor (our financing guarantee subsidiary or third party guarantor) based on contractual arrangements, if the guarantee is in place. There is no joint guarantee arrangement between our financing guarantee subsidiary and third party guarantor. Our third party guarantor does not involve entity of Ping An Group.

Step 3: For normal consumer finance loans, borrowers will repay the loan principal and interest directly to our consumer finance subsidiary.

Step 4: Once loans become overdue, we will initiate the loan collection process.

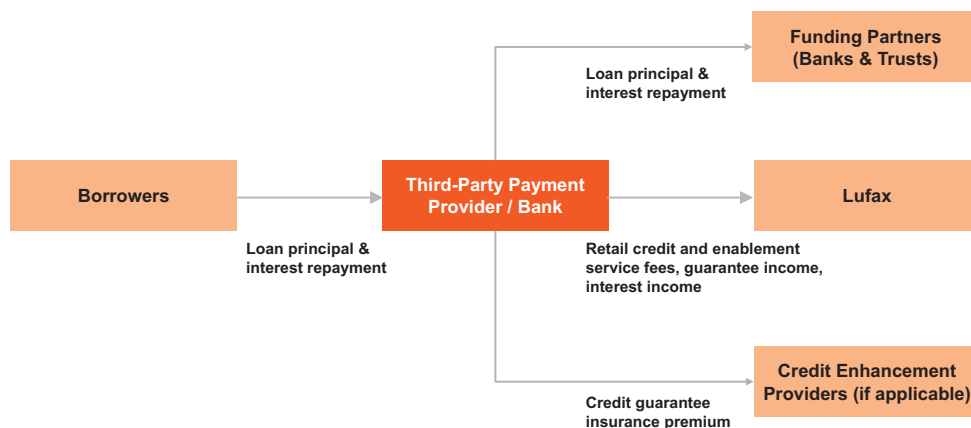
Step 5A: For overdue loans without guarantee in place, the borrowers will repay the relevant overdue principal and interest directly to our consumer finance subsidiary.

Step 5Bi 5Bii: When loans with guarantee in place become overdue, the guarantor (our financing guarantee subsidiary or third party guarantor) will make the default claims payment to our consumer finance subsidiary for the portion of loans they guarantee based on contractual arrangements. The borrowers will subsequently repay the relevant overdue amount which is guaranteed to the guarantor, and the portion which is not guaranteed to our consumer finance subsidiary. The flow of funds and the contractual arrangement are the same regardless of our financing guarantee subsidiary or third party guarantor being the guarantor.

We receive net interest income from our borrowers for our consumer finance business.

Third-party Payment Channels and Banks

Core Retail Credit and Enablement Model

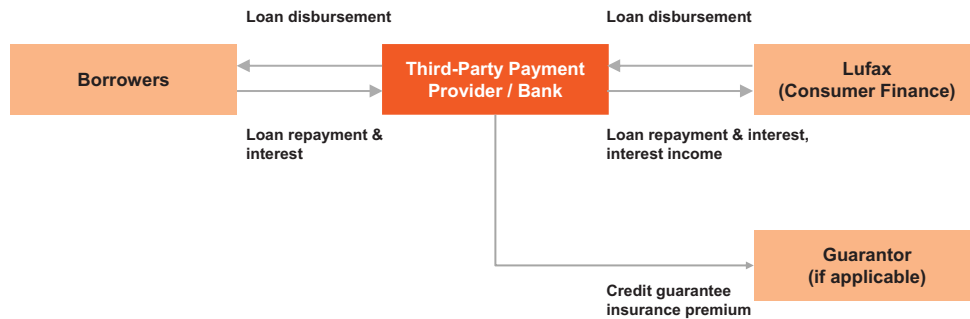


We engage third-party payment providers and banks in handling fund transfers and settlements under our core retail credit and enablement model. The role of the third-party payment providers and banks is to distribute funds from borrowers to us, our funding partners and credit enhancement providers based on the

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pre-agreed arrangement. We receive retail credit and enablement service fees, guarantee income and interest income via the third-party payment providers and banks. We are not involved in the loan disbursement arrangement between our funding partners and borrowers.

Consumer Finance



Similarly, we also engage third-party payment providers and banks for our consumer finance business. Our third-party payment providers and banks will distribute the funds from our consumer finance subsidiary to the borrowers, and from the borrowers to our consumer finance subsidiary and guarantor partners, if applicable. We receive interest income via the third-party payment providers and banks.

We pay payment process expenses to our third-party payment providers and banks based on the fund transfers and settlement volume. The payment process expenses for the year ended December 31, 2020, 2021 and 2022 were RMB1.2 billion, RMB1.2 billion and RMB1.1 billion, respectively.

OUR GUARANTEES

Substantially all new loans enabled during the Track Record Period under the core retail credit and enablement model are jointly guaranteed by our own financing guarantee subsidiary and third party credit enhancement providers. The remainder is guaranteed only by us without third party credit enhancement. For our consumer finance business, our consumer finance subsidiary directly provides funding and takes a majority of the credit risk, while the remainder of the credit risk is guaranteed by third party guarantors or our financing guarantee subsidiary. The guarantee arrangement between our consumer finance subsidiary and our financing guarantee subsidiary is due to commercial factors. As our consumer finance business, which commenced in 2020, is scaling up, we choose to cooperate with our financing guarantee subsidiary and third party guarantor to manage credit risk exposure. There is no joint guarantee arrangement between our financing guarantee subsidiary and third party guarantor. Our third party guarantor does not involve entity of Ping An Group.

We work closely with funding partners through our financing guarantee subsidiary and its network of licensed branches in 29 provinces. For loans funded by third parties where the lender requires credit enhancement, our financing guarantee subsidiary will determine how much risk we will guarantee on each new loan transaction based on a dynamic mix of regulatory and commercial factors. In light of latest regulatory development, we believe credit enablers are encouraged to show more commitment to the loans enabled by taking on more credit risk. In addition, we also take into account the risk appetite of funding

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partners, the prices quoted by credit enhancement providers, and our own capital position when deciding the proportion of credit risk we take through our financing guarantee subsidiary. These apply to both our bank- and trust-funded loans. Our credit enablement model through our financing guarantee subsidiary makes it possible for us to share data with our institutional partners in a manner that is fully compliant with regulatory requirements. We had RMB21.0 billion, RMB64.7 billion and RMB68.5 billion (US\$9.8 billion) in off-balance sheet financing guarantee contracts as of December 31, 2020, 2021 and 2022, respectively.

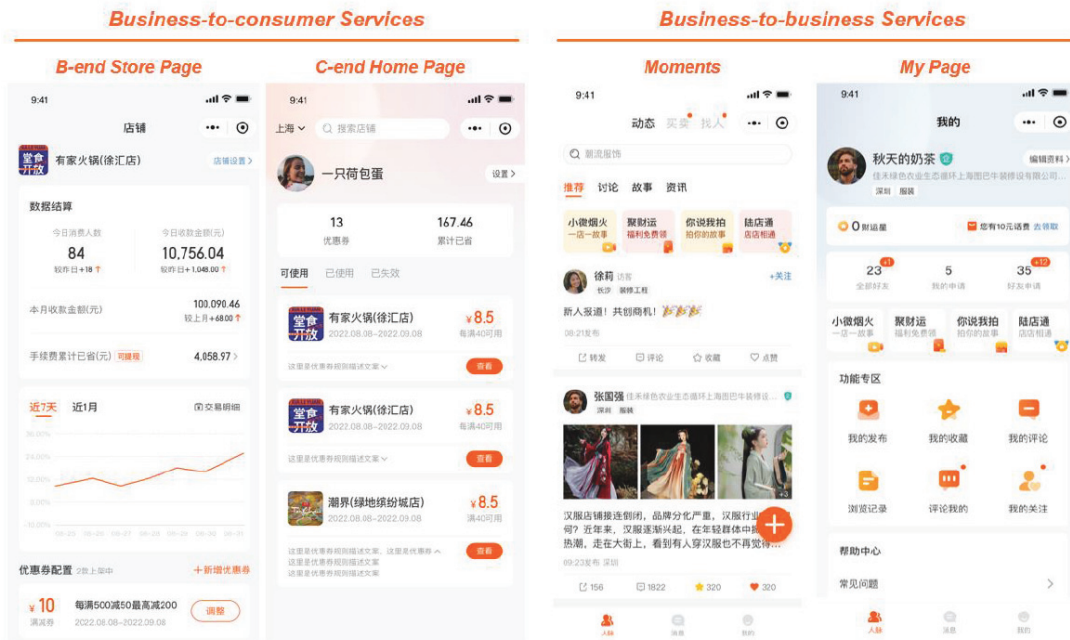
The pricing for our guarantee service takes into consideration of the underlying cost to guarantee such loans, which is determined mainly by the borrowers' owned assets, collaterals, credit records from the People's Bank of China and their customer type (SBOs or individuals). We also take into account market pricing to ensure our services remain competitive. We are not responsible for the pricing offered by the third party credit enhancement providers.

We made default claims payment of RMB0.8 billion, RMB1.6 billion and RMB7.0 billion in 2020, 2021 and 2022, respectively, representing 2.3%, 1.5% and 5.2% of the loans which we had credit risk exposure during that period. We recovered RMB0.5 billion, RMB0.5 billion, and RMB0.3 billion of default claims payment in 2020, 2021 and 2022, respectively.

Pursuant to the relevant regulations and rules regarding financing guarantee companies, the minimum registered capital of a financing guarantee company is not less than RMB20 million and its net assets must be no less than one-fifteenth of the total outstanding guaranteed amount it has guaranteed. Our financing guarantee subsidiary had net assets of RMB47.9 billion in aggregate as of December 31, 2022 and a leverage ratio of approximately 2.0x.

VALUE-ADDED SERVICES FOR SMALL BUSINESS OWNERS

We launched our new small business owner value-added services platform in November 2022. This value-added services platform, branded Ludiantong (陸店通), is an open-platform design and is being populated with digital operating tools and industry-focused content to support business development for small businesses. We intend to use this platform to engage potential customers at an earlier stage, deepen our interaction with existing customers, and create both new cross-sell opportunities and a new source of customer referrals. Our goal is to create an ecosystem that is interactive among customers as well as between customers and our direct sales team, and that supports business owners whose end customers are other small businesses or consumers.

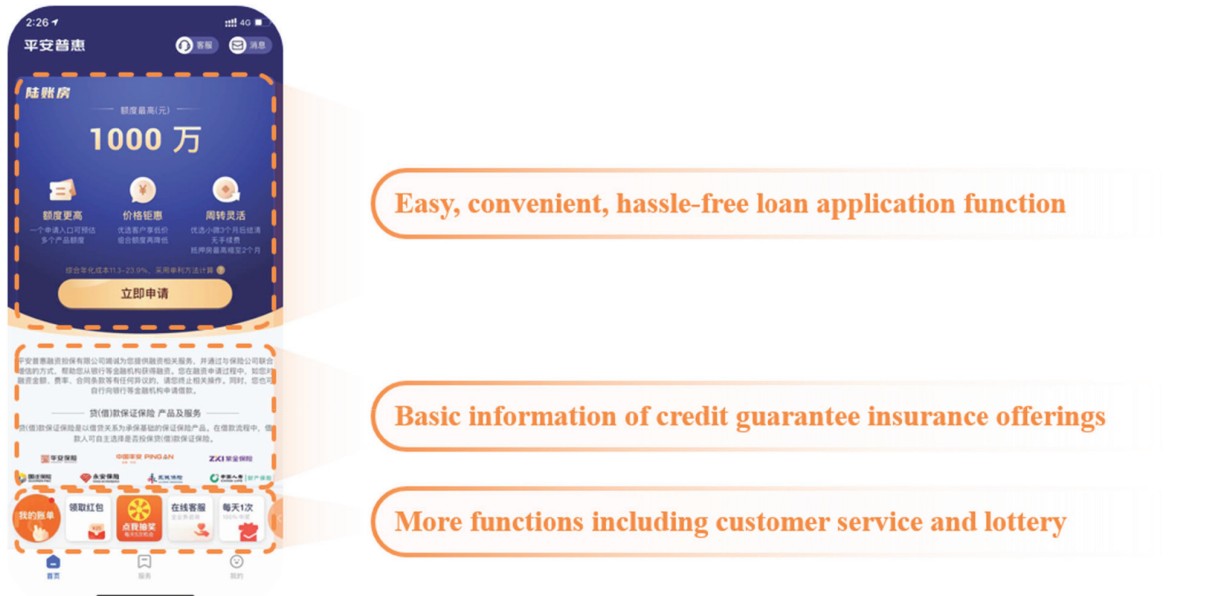


Ludiantong offers tools and functions for small business owners to acquire customers and increase customer engagement. It enables small business owners to attract potential customers and gain deeper insights into their behavior via the data collected. It also helps small business owners to better identify the needs of their existing customers by leveraging the insights of other ecosystem participants and to expand their business networks. We expect to launch more features on Ludiantong going forward, including customer referral, service bundling offers and customer relationship management tools, and to foster the growth of an SBO ecosystem around our value-added services platform.

Customer Experience

The Customer Journey

Step 1: loan application



App interface

The loan application process is entirely online and paperless. Our mobile app makes it easy, convenient and hassle-free for borrowers to apply for our loans. We acquire borrowers offline but enable them to submit their loan applications online through our mobile app. Since 2019, all of our transactions have occurred on our mobile app.

The process of creating an account is quick and simple. A borrower can create an account with us using a mobile phone number. Once an account has been created, the borrower will be able to apply for our loan products online.

We have access to data and analytical insights that enable us to make an immediate credit assessment decision once we have verified the borrower's identification. The borrower's identity is verified through various means, including facial recognition.

If borrowers wish to provide documentation to support their risk profile and increase their credit limit, our mobile app allows borrowers of general unsecured loans to upload insurance policies, automobile registration, residential mortgages and deeds, and tax bills. They scan the documents and our system reads them through optical character recognition and natural language processing. Our system guides borrowers towards the most suitable loan options based on the information provided. The information will be considered as part of our credit assessment process and may impact the approved loan amount and borrowing cost.

We believe that offline teams are essential for penetrating our target markets but that online processes are necessary for efficient and speedy delivery of customer service. All of our loan applications for both secured and general unsecured loans are processed online. For secured loans, we are collaborating on a pilot program to enable borrowers to pledge residential property as collateral either completely online or with only one visit to the government agency where the collateral is recorded.

Using our AI-powered credit assessment capabilities, we launched a one-stop loan application service on our mobile app in September 2021 to streamline the loan application process. We refer to this service as Luzhangfang (陸賬房). Luzhangfang enables borrowers to choose from a combination of loan plans and preferential rates with a simple and intuitive application process. Traditionally, borrowers would have to complete a separate loan application form and go through a separate approval process for each loan product they intend to apply for. This process can be time-consuming and unsatisfying for borrowers. Through Luzhangfang, a borrower only needs to submit an application on our mobile app and our system will automatically generate a variety of loan plans with preferential rates for the borrower to choose from based on our preliminary assessment. If borrowers are not satisfied with the results, they can provide additional information, such as enterprise qualifications, insurance policies, personal property or vehicle information, to increase their loan limit and obtain more favorable rates. Luzhangfang can provide a borrower up to four loan plans with a maximum amount of RMB10 million.

Step 2: credit assessment



AI interview and online interview on mobile app

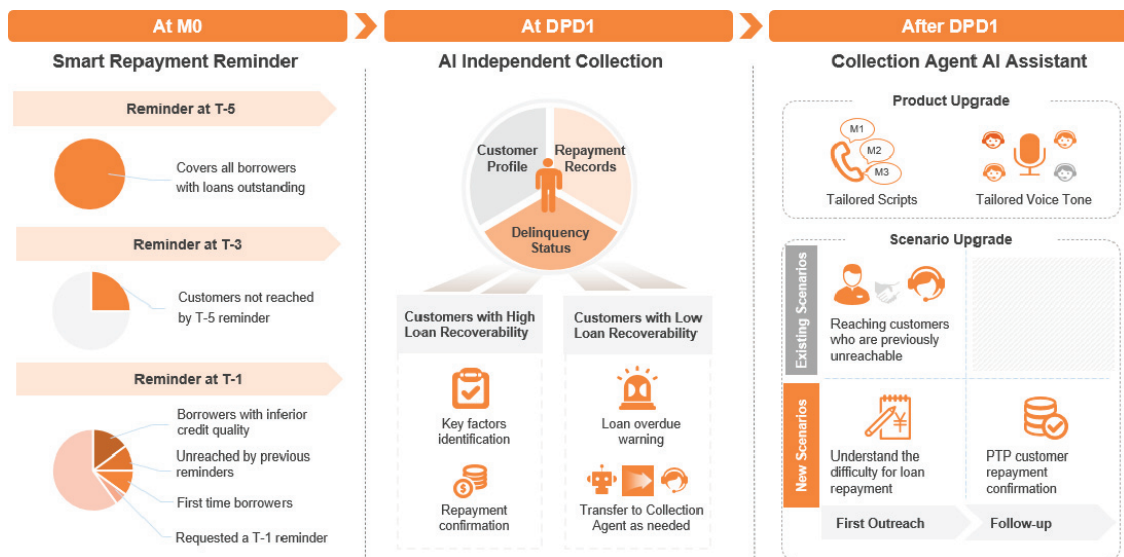
Our credit application and approval process could be entirely AI-based or entirely human-based in selected cases for our general unsecured loans, but more commonly it is conducted through a combination of AI with human assistance, leveraging our AI-driven application and approval interface. The interface uses automatic speech recognition, optical character recognition and natural language processing to communicate with the prospective borrower. Loan processing time can be significantly shortened as a result and application conversion improved. The entire loan approval process can be as fast as 20 minutes, entirely through one screen interaction, with minimal text input. All online applications begin with the same portal,

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leading to an immediate credit offer for qualified applicants. The potential borrower then has an AI credit assessment interview, during which anti-fraud, credit assessment, and loan approval processes run seamlessly in the background so that the credit assessment can be completed before the interaction ends. Based on the borrower’s credit profile, credit enhancement options are provided to them and they can choose to add potential credit guarantee insurance to enhance their loan applications. If the loan is approved, the borrowers will be made aware of the identity of the funding partner we refer to, and they will sign the contract online by indicating agreement to all of the terms. The funds are normally disbursed on the same day and the borrower is notified through the app once the transfer is completed. If our funding partners reject the loan application of the potential borrowers, we will resubmit the application to other funding partners. We will repeat this process for a total of three times. Borrowers can set up automatic repayments on our mobile app.

We select high-quality borrowers to target for new loans. These include borrowers who have made nine straight months of repayments on their current loans and borrowers who have already repaid their loans. Applications from repeat customers can be completed expeditiously and we provide assistance by telephone when needed.

Step 3: post loan



We initiate smart repayment reminders five days, three days and one day before a repayment is due. The T—5 reminder covers all borrowers with outstanding loans. The T—3 reminder serves as a second layer of protection and will be sent to borrowers who are not reached by the T—5 reminder. The T—1 reminder is targeted at first-time borrowers, borrowers with inferior credit quality, borrowers not reached by previous reminders, and borrowers who specifically requested a T—1 reminder.

As soon as a loan is one day past due, we initiate our AI independent collection process, which analyzes customer profile, historical repayment records, and delinquency stage to identify the treatment appropriate for different customers with loans overdue. Our system analyzes the reasons for late repayment and records when the collection process is initiated and whether and when the repayment is made. For

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customers with higher expected loan recoverability, we focus on identifying key factors for late repayment and offer them assistance in repaying the loan as soon as possible. For customers with lower expected loan recoverability, we send overdue warnings to the borrowers, and cases requiring next level support are automatically transferred to our collection agents.

When a loan becomes overdue and the case is transferred to our collection agent, our AI assistant tool will provide a tailored script to our collection agents based on the customer's expected behavior, and a tailored voice tone is also generated to ease the conversation. As of December 31, 2022, the vast majority of our collection efforts were enabled by AI. We have also implemented new scenario analysis for various late repayment situations so that our collection agents can better understand the situation and conduct follow-up discussion with our borrowers.

HOW WE ENABLE OUR INSTITUTIONAL PARTNERS

We enable our institutional partners by identifying potential borrowers who possess the characteristics that they wish to target, co-designing loan products that fit the needs of those potential borrowers, providing accurate credit assessment to make it possible for both funding partners and credit enhancement providers to correctly price the risk that they assume, and managing credit risk on outstanding loans through effective loan servicing and collection.

Our Funding Partners

Our funding partners consist of the banks and trusts that fund the loans that we enable. We have relationships with 75 banks and 6 trust companies as of December 31, 2022.

The following table shows the volume of new loans enabled in each period by funding source, including loans that we enabled through our own licensed microloan and consumer finance subsidiaries:

	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>
	<i>(in billions, except percentages)</i>					
Volume of New Loans Enabled by Funding Source						
Banks	357.6	63.3	414.2	63.9	279.5	56.4
Trusts	198.2	35.1	208.9	32.2	157.2	31.7
Our subsidiaries	9.2	1.6	25.3	3.9	58.6	11.8
Total	<u>565.0</u>	<u>100.0</u>	<u>648.4</u>	<u>100.0</u>	<u>495.4</u>	<u>100.0</u>

We are continually refining our funding mix. Our ability to enable loans has not been constrained by our funding supply. We only utilized 49.6% of the credit facility provided by banks and 19.8% of the credit facility provided by trust companies in 2022. We believe our relationships with banks and trust companies are sustainable as our ability to help them generate interest income by enabling loans from our high quality borrowers makes us a valuable partner to them. In 2022, no single third-party funding source accounted for more than 10% of the funding for the loans we enabled.

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We enter into trilateral agreements with each funding partner and credit enhancement provider that contain the principal terms governing funding arrangements and credit enhancement for the loans that we enable with them. These agreements will generally include provisions specifying the proportion of loans to be insured or guaranteed by the credit enhancement provider and the geographical scope of the collaboration, and some of them set out the rate of interest to be charged by the funding partner for the loans. They also provide that each party will perform its own credit assessment of the borrowers, that the funding partner will enter into the loan agreement with the borrower, and that the credit enhancement provider will reimburse the lending partner for each loan that is 80 days past due. Under these agreements, each party has the right to perform post loan services or delegate them to another contracted party or third party.

Banks

Under the bank funding model, a third-party bank lends directly to the borrower. We provide loan enablement services for borrowers and enable borrowers to obtain loans from third-party banks.

We partnered with 52 banks in 2020, 60 banks in 2021 and 75 banks in 2022. These banks included national joint-stock banks, city commercial banks, rural commercial banks and others. The banks determine the creditworthiness of borrowers that we refer, though we help gather the information our bank partners need. Banks funded approximately 63.3% of the new loans we enabled in 2020, 63.9% of the new loans we enabled in 2021 and 56.4% of the new loans we enabled in 2022. Among the new loans we enabled that were funded by our bank funding partners in 2022, 54.1% of the funding was from national joint-stock banks, 32.7% of the funding was from city commercial banks, and 13.1% of the funding was from rural commercial banks and others. Maintaining stable and long-term relationships with banks is an important factor in sustainable funding.

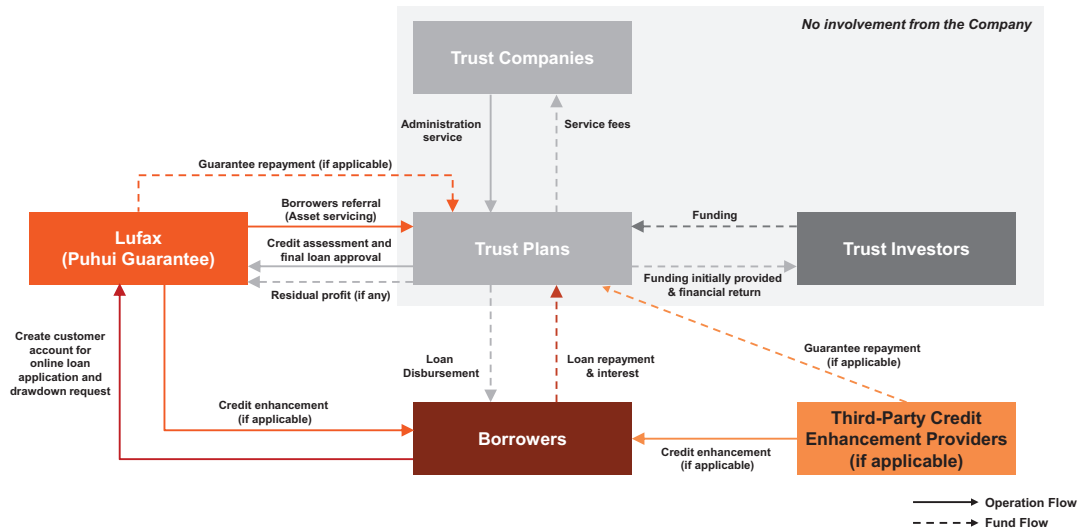
Trusts

Under the trust model, a third-party trust company sets up a trust plan to which investors contribute funds through three major funding sources. There are: (1) retail funding directed by private banks, (2) institutional funding from banks, securities and insurance companies, and (3) funding from open market issuance. We provide loan enablement services for borrowers and enable borrowers to obtain loans from trusts. We perform credit assessments and match borrowers to the trust plans.

We partnered with six trust companies in each of 2020, 2021 and 2022. Trusts funded approximately 35.1% of the new loans we enabled in 2020, 32.2% of the new loans we enabled in 2021 and 31.7% of the new loans we enabled in 2022. The loans funded by consolidated trusts appear on our balance sheet, and those funded by unconsolidated trusts do not. See “Financial Information—On- and Off-Balance Sheet Treatment of Loans and Risk Exposure.”

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The chart below shows the typical structure of the trust arrangements and the roles and obligations of the parties involved, including the Company, trust plans, trust companies, trust investors, third-party credit enhancement providers and borrowers.



Our Subsidiaries

Our subsidiaries enabled 1.6%, 3.9% and 11.8% of the volume of new loans we enabled in 2020, 2021 and 2022, respectively. The loans enabled by our subsidiaries in 2020 included loans enabled by our three microloan subsidiaries, which stopped extending new loans in December 2020 in response to policy changes in China. The remainder of the loans enabled by our subsidiaries in 2020 and all of such loans for subsequent periods were enabled by our licensed consumer finance subsidiary, Ping An Consumer Finance Co., Ltd.

Credit Analytics

Our credit analytics include anti-fraud assessment and credit assessment. These are supported by both financial and behavioral data and managed by our risk management department. In addition to meeting the basic requirements on nationality, age, residency and the availability of credit and other history, a borrower must pass both our anti-fraud and credit assessments before we will refer them to funding partners and credit enhancement providers for a potential loan.

Once a loan application passes our credit assessment process, then we will refer the loan to a funding partner and, if applicable, a credit enhancement provider for them each to conduct an independent evaluation of the loan application. We only match borrowers who we believe meet our partners' lending criteria, and our partners independently review all of the application information before making a lending decision. Loans are disbursed by the funding partner directly to the borrower.

The credit approval time for loans we enable can be as fast as 20 minutes for general unsecured loans or two hours for secured loans in 2022, and funding is generally available on the same day.

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Data

Our credit assessment is built upon a variety of our own and third-party data, under proper authorization and within lawful ranges, including the data of the Credit Reference Center of the People's Bank of China, data publicly available from other governmental institutions, and a variety of consumption, social or other behavioral data. We have cumulatively analyzed over 17 years of through-cycle credit data from approximately 68 million unique individual applicants, supplemented by access to the Ping An ecosystem insights and access to enterprise data for approximately 10 million businesses through external data providers as of December 31, 2022. Our proprietary and third-party data includes both know-your-customer or KYC personal financial information and know-your-business or KYB business information for loans to small business owners. All data are accessed and used only with the customer's consent.

Out of over 7,000 predictive variables per borrower, we applied machine learning algorithms and regression analysis to select around 1,600 of the most relevant variables to build our anti-fraud models and around 1,600 of the most relevant variables to build our loan decision models as of December 31, 2022. The predictive variables used to build our anti-fraud models and loan decision models include the number of enquiries to view a borrower's credit score in the past 24 month, overdue times within the last three months, the operating registration of a borrower, years of operation, the enterprise registered capital and whether there is a hit of a borrower's telephone number against the blacklist of fraud cell phone numbers, among others.

For loans with larger ticket sizes, our experience shows that both ability to repay and willingness to repay are important in the credit underwriting process. Behavioral data are nearly as useful as credit and financial data in anti-fraud assessment, as they can be helpful in evaluating a borrower's willingness to repay. However, credit and financial data are substantially more predictive of creditworthiness as they can help evaluate a borrower's ability to repay. As of December 31, 2022, credit and financial data comprise approximately 59% of the variables of our anti-fraud assessment and 89% of the variables of our credit assessment, while behavioral data make up the remaining 41% of the variables for our anti-fraud assessment and 11% of the variables of our credit assessment.

Anti-fraud Assessment

Our anti-fraud assessment checks for identity fraud, against negative records and for organized fraud. We verify the borrower's identity by crosschecking against the National Citizen Identity Information Center's ID database using facial recognition technology. We also verify the borrower's identity using phone number and bank card verifications. By cross checking within and across data sources, we ensure that the borrower is who he or she claims to be and that the same borrower is completing the application from beginning to end.

Next we check each borrower against blacklists and negative records, including lists that we have built up through our own operations, from third-party sources and from publicized fraud attempts. We also further check if the borrower uses technology to provide falsified information, such as false location information using VPNs or IP address proxies.

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Furthermore, we use our social network model built upon graph computation and machine learning algorithms to identify and screen out organized fraud attempts. We have an extensive database of location and IP data to support our social network model. We check the borrower's key information using our fraud detection model, which contains over 1,000 expert rules.

Credit Assessment



Borrowers who pass our anti-fraud assessment process move onto our credit assessment process. Our credit assessment process has been made as convenient as possible for potential borrowers through the application of automatic speech recognition, optical character recognition and natural language processing. The approval process for general unsecured loans can be as fast as 20 minutes, entirely through one screen interaction, with minimal text input.

We have three key models for credit assessment: an application score model, a risk-based pricing model and a loan sizing model.

The application score model generates a score for each borrower, based on which we determine the borrower's eligibility for a given loan. Our acceptance criteria and assessment processes vary depending on the borrower risk rating, which may vary from R1 to R6 on our recently adopted rating system. Currently we only enable loans for borrowers with a risk rating of R4 or better. In 2022, we gave AI-assisted live interviews or purely AI interviews to 60.7% of borrowers of general unsecured loans, and the other 39.3% of borrowers of general unsecured loans had the interview waived because nothing in their data required further clarification. Borrowers of secured loans, who have extensive personal interaction with our direct sales team or our channel partners, are all given live interviews.

When we give a live interview, our credit approval team interviews borrowers using web conferencing tools. During interviews, we use facial and voice recognition to identify borrowers and micro facial expression and speech emotion analytics to analyze borrowers' emotional reactions to assist in assessing the trustworthiness of the borrowers. Other than live interviews, our credit assessment process is entirely automated, which helps us to achieve a unified and data-driven decision process with strong predictive power.

After being screened by the application score model, the borrower will be further assessed by our risk-based pricing and loan sizing models. In our risk-based pricing model, we consider the borrower's risk rating and debt to income ratio and the value of the borrower's assets to determine the appropriate risk-

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based pricing. After taking into account the borrower's risk rating and debt to income ratio and the value of the borrower's assets, the borrower can only qualify for a loan if the assigned pricing does not exceed the maximum permitted APR. Our loan sizing model is primarily based on the borrower's credit and financial information, which we access with due authorization, such as other loan or credit card repayment records, insurance repayment records, car value, social insurance records and indebtedness information. Every loan applicant must authorize us to check their data through the Credit Reference Center of the People's Bank of China, and these checks form a routine part of our credit assessment process. The data includes information on outstanding loans funded by licensed financial institutions in China such as banks, trusts, consumer finance companies and financing leasing companies. Our sizing model for secured loans further takes into consideration the value of the pledged collateral, which we determine in an efficient and expeditious manner with help from online valuers. Since we specialize in large ticket size loans, a borrower only qualifies for a general unsecured or secured loan if they meet the minimum creditworthiness threshold of at least RMB20,000.

For small business owners, know your business or KYB is an additional element of our credit assessment process. We analyze data relating to the borrower's business including its corporate credit rating, if any, its VAT, point-of-sale and UnionPay records, its utility bills, and any insurance, memberships in industry organizations or other pertinent information. We believe that it is essential to combine both KYC and KYB data for small business owners to accurately assess their creditworthiness.

Borrower Profiles

The following table summarizes the DPD 30+ delinquency rate and the DPD 90+ delinquency rate by credit score category on our recently adopted borrower quality ranking system for general unsecured loans (excluding top-ups on existing loans) enabled by Puhui for the year indicated.

Credit Score	For the Year Ended December 31, 2022	
	<u>DPD 30+ Delinquency Rate</u>	<u>DPD 90+ Delinquency Rate</u>
R1	1.1%	0.6%
R2	2.2%	1.2%
R3	3.1%	1.7%
R4	4.8%	2.8%
R5	7.2%	4.3%
R6	11.7%	7.2%

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The following table presents the APR by credit score category for general unsecured loans (excluding top-ups on existing loans) enabled by Puhui for the years indicated.

Credit Score	APR		
	For the Year Ended December 31,		
	2020	2021	2022
	(%)		
R1	20.5	18.9	17.4
R2	22.0	20.7	19.1
R3	23.3	21.7	20.3
R4	24.6	23.1	22.1
R5	26.3	23.4	22.5
R6	28.7	23.7	23.0

The following table presents the volume of new loans by credit score category as a percentage of total loan volume for general unsecured loans (excluding top-ups on existing loans) enabled by Puhui for the years indicated.

Credit Score	Volume of New Loans Enabled		
	For the Year Ended December 31,		
	2020	2021	2022
	(%)		
R1	6.0	8.8	15.7
R2	8.6	9.6	14.7
R3	12.6	13.3	17.8
R4	27.9	25.0	25.3
R5	28.1	26.4	20.1
R6	16.9	16.9	6.4
Total	100.0	100.0	100.0

Loan Servicing and Collection Services

Our loan servicing and collection services enable our institutional partners to concentrate on their core businesses while we manage troubled assets for them. We have accumulated 17 years of through-cycle proprietary data based on our offline-to-online business model that informs our collection efforts.

We utilize an online system for efficient and effective post-loan management and loan collection. Powered by AI servicing, intelligent loan collection algorithm and App smart robots, we have created a 24/7 operational command dashboard for our loan collection system which has increased the stability, speed, and efficiency of our post-loan process. Data from post-loan monitoring and collection efforts is constantly fed back into customer selection and credit approval algorithms to make sure our models are continuously refined to further improve outcomes. Deployment of AI collectors and segmentation algorithms for

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collection has enhanced our ability to identify fraud and high-risk borrowers, while being able to enhance product pricing, improve underwriting results and lift loan collection efficiency.

Our post-loan servicing model is based on credit scores to triage delinquencies. We check the loan records of our existing borrowers through the Credit Reference Center of the People's Bank of China with their authorization on a regular basis so as to monitor their liability status and we use customer segmentation modeling to divide borrowers into low, medium and high risk. We also provide a repayment reminder service to our borrowers, including text message reminders for low-risk borrowers and AI-enabled contact for medium- and high-risk borrowers. In 2022, we carried out 54% of our repayment reminders through messages and the remainder through AI-enabled phone calls.

If borrowers fail to repay on time, our collection process will be initiated. Borrowers whose loans are overdue by one day are contacted by AI, and all other borrowers with overdue loans are contacted by a live collection agent. The relatively large average ticket size of the loans that we enable makes it more cost-efficient for us to escalate the collection process for delinquent loans, as compared to platforms that primarily enable small consumer loans.

Our collection professionals cannot access the mobile phone numbers of our borrowers and can only contact them through our systems. All contact with customers is recorded and retained for use in resolving disputes and ensuring that our collection team is fully in compliance with applicable laws and rules at all times. Data we accumulate in the collection process gets fed back into our credit assessment process in a closed loop.

The productivity of our post-loan servicing team has been continually improving. The average outstanding loan balance per post-loan servicing employee per year was RMB54.1 million, RMB65.5 million and RMB60.4 million (US\$8.7 million) in 2020, 2021 and 2022, respectively.

In line with common industry practice, we use third-party collection agencies to collect loans that are delinquent for more than 80 days. We regularly evaluate our agency partner companies based on their performance, service quality, experience in the industry and compliance with relevant laws and regulations. To fulfill the compliance requirements, we have adopted and enforced comprehensive, online and systematic collection management and process monitoring to ensure that all the collection practices by the third parties we cooperate with are in compliance with current laws and regulations. First of all, collection operations conducted through third-party agencies are generally processed on our online system so that we are able to track and perform full-angle inspection on the collection practices. We closely monitor the practices of the third-party collection agencies, including their system login history and telephone and text message records. All collection calls initiated by third-party agents are recorded and transmitted to our inspection system for an "AI + manual" dual inspection procedure, where our AI models will perform automatic, preliminary risk analysis on the content of the collection conversation and text messages against the rules that we set, identifying the expressions that are suspected to be deviating from our rules, and our operation inspection team will then further investigate the high risk cases and provide improvement advice. The third-party collection agencies are forbidden from downloading the information in our system. All customer contact information on our system is sanitized and protected to prevent it from being accessed by

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the third-party collection agencies without authorization. Second, we maintain on-site inspection on all collection operations of the third-party collection agencies on a monthly or quarterly basis. Our inspection team closely monitor whether the third-party collection agencies are sufficiently staffed, whether they use private cellphones for the collection efforts, and whether they exploit our customers' private information. Third, we penalize the third-party agencies' violations based on the severity of the violations. Once a violation is detected and confirmed, the third-party agency who committed the violation will be penalized by our policies based on level of violation. Our customers may file complaints if their private information is violated by the third-party agencies. We may terminate contracts with third-party agencies based on contractual arrangements if they violate any laws or regulations, which involve criminal or civil proceedings, in their cooperations with other companies.

In addition to the collection efforts described above, we have an additional foreclosure procedure for our secured loans. Acting on behalf of the credit enhancement providers and our financing guarantee subsidiary, we first repossess the collateral using our local collection team, supported by third-party local collection agencies as necessary. We then assess the condition of the residential property, obtain third-party appraisal reports of its value and initiate the process to foreclose on the residential property. Upon foreclosure, we dispose of residential property via auction or consignment and use the proceeds to minimize or mitigate losses for the credit enhancement provider.

Credit Risk Management

Credit risk is the risk that the borrowers of our loans default and do not repay, including due to a lack of intention to repay or a lack of ability to repay. Credit risk is borne by one or more of the funding partner, the credit enhancement provider and our own licensed financing guarantee subsidiary, in different combinations and different proportions depending on the loan. The ability to manage credit risk is thus of key importance in our business. We manage credit risk through anti-fraud assessment, credit assessment and loan servicing and collections.

For the general unsecured loans we enable, we rank qualified borrowers on a scale of one to six, where R1 is the highest quality (lowest risk) and R6 is the lowest quality (highest risk). The risk level is determined based on two primary considerations. The first is credit risk score, modeled using statistical techniques and based on the records of the Credit Reference Center of the People's Bank of China and the borrower's prior records such as repayment, delinquency and application histories. The other consideration takes into account the customer's assets, such as residential property, vehicle and insurance policies. Borrowers with higher credit risk scores and better assets will be assigned a lower risk level.

As mentioned previously, we have been concentrating our efforts on borrowers at the higher end of our R1 to R6 ranking of creditworthiness. Risk rating is a dynamic process which reflects our risk appetite and acceptance from time to time, and we have been focusing our efforts on serving high quality customers. High quality borrowers, which we define as borrowers rated between R1 and R3, accounted for 48.2% of the general unsecured loans (excluding top-ups on existing loans) we enabled in 2022, as compared to 31.8% in 2021.

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The following table shows the DPD 30+ delinquency rates for general unsecured loans and secured loans as of December 31, 2020, 2021 and 2022.

DPD 30+ Delinquency Rates by Type of Loan	As of December 31,		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
General unsecured loans	2.3	2.6	5.2
Secured loans	<u>0.7</u>	<u>0.8</u>	<u>2.6</u>
Total	<u>2.0</u>	<u>2.2</u>	<u>4.6</u>

The core indicator for credit quality monitored by our management is DPD 90+. The following table presents the DPD 90+ delinquency rates for general unsecured loans and secured loans as of December 31, 2020, 2021 and 2022. We define the DPD 90+ delinquency rate as the outstanding balance of loans for which any payment is 90 to 179 calendar days past due, divided by the outstanding balance of loans. This table reflects all the loans we enable on a whole portfolio basis, not just the loans that are consolidated on our balance sheet. In addition, when a loan becomes 80 days past due and the funding provider is reimbursed by a credit enhancement provider, we still treat the loan as overdue for purposes of the DPD 90+ calculation, since the loan has not been repaid by the borrower. The credit enhancement provider acquires the creditor rights after reimbursing the funding provider and we continue to provide post-loan services to the credit enhancement provider.

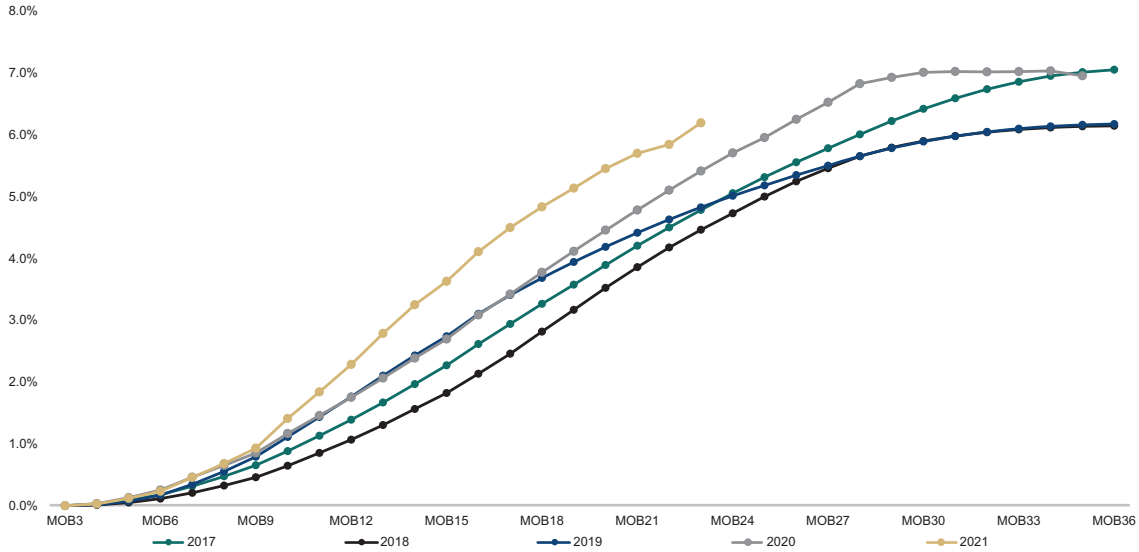
DPD 90+ Delinquency Rates by Type of Loan	As of December 31,		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
General unsecured loans	1.3	1.5	3.0
Secured loans	<u>0.4</u>	<u>0.4</u>	<u>1.2</u>
Total	<u>1.2</u>	<u>1.2</u>	<u>2.6</u>

Our Track Record Period largely overlapped with developments of the COVID-19 pandemic. Since the beginning of 2020, outbreaks of COVID-19 have led to ongoing pandemic controls and sharply disrupted the economic life throughout China, resulting in limited discretionary consumption and slow economic growth. Our core SBO segment has been impacted by the challenging macro environment over the past few quarters, as small businesses are typically the earliest to be impacted in periods of macroeconomic change. The aforementioned factors have led to continued deterioration in our asset quality, as evidenced by the heightening DPD 30+ and DPD 90+ delinquency rates and flow rates throughout our Track Record Period. In particular, the modification in zero-COVID policy in the fourth quarter in 2022, and the spike in COVID-19 cases in December 2022 due to the reopening of China have put pressure on both our customers and our operations, leading to a further decline in asset quality.

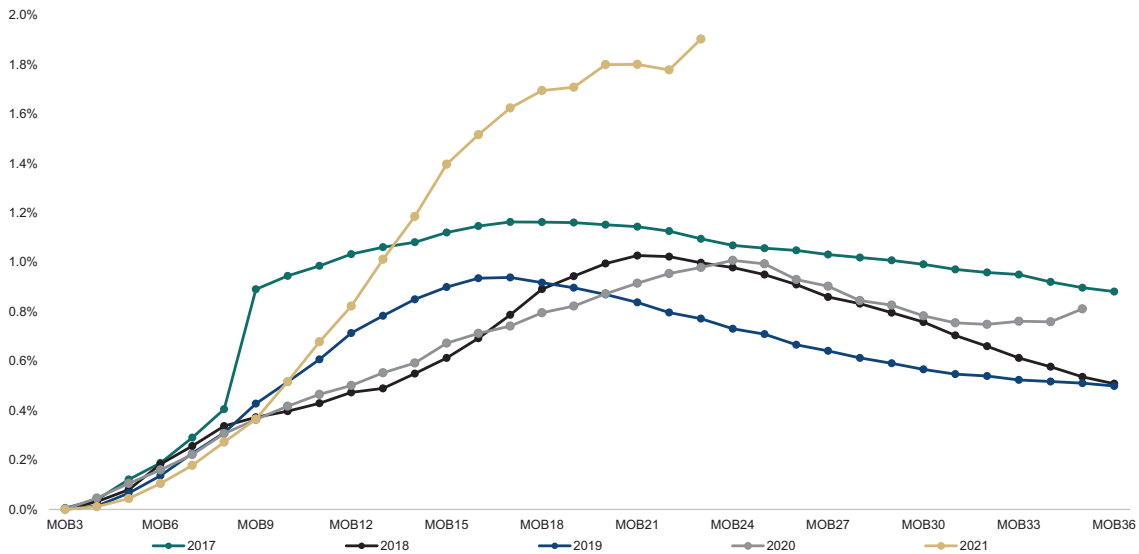
The following chart shows the DPD 90+ delinquency rates by vintage as of December 31, 2022, on general unsecured loans that we have enabled. DPD 90+ delinquency rates by vintage is defined as the total balance of outstanding principal of a vintage for which any payment is over 90 calendar days past due as of

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a particular date (adjusted to reflect total amount of recovered past due payments for principal and without taking into account charge-offs), divided by the total initial principal in such vintage. Months on book, or MOB, is the number of complete calendar months that have elapsed since the calendar month in which the loan was originated, measured at the end of each calendar month.



The following chart shows the DPD 90+ delinquency rates by vintage as of December 31, 2022 on secured loans that we have enabled.



The charts above represent the percentage of past due outstanding principal of different loan vintages as of a particular month, after time periods have elapsed since the loan was originated. In general, the maximum contractual tenor offered on general unsecured loans and secured loans is 36 months, and most borrowers choose a tenor of 36 months. Thus, delinquency rates need to be observed throughout the loan lifecycle to reflect the quality of a vintage. For all loan vintages shown above, as time periods elapse and these loan

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vintages mature, the balance of outstanding principal that is past due would increase as demonstrated by the upward sloping vintage curve for each loan vintage over months on books (MOB), which then flattens closer to loan maturity when loss rate is stabilized. For secured loans, loan vintages tend to exhibit a downward trend as they approach MOB36 given they are adjusted to reflect total amount of recovered past due payments for principal through its secured assets and without taking into account charge-offs.

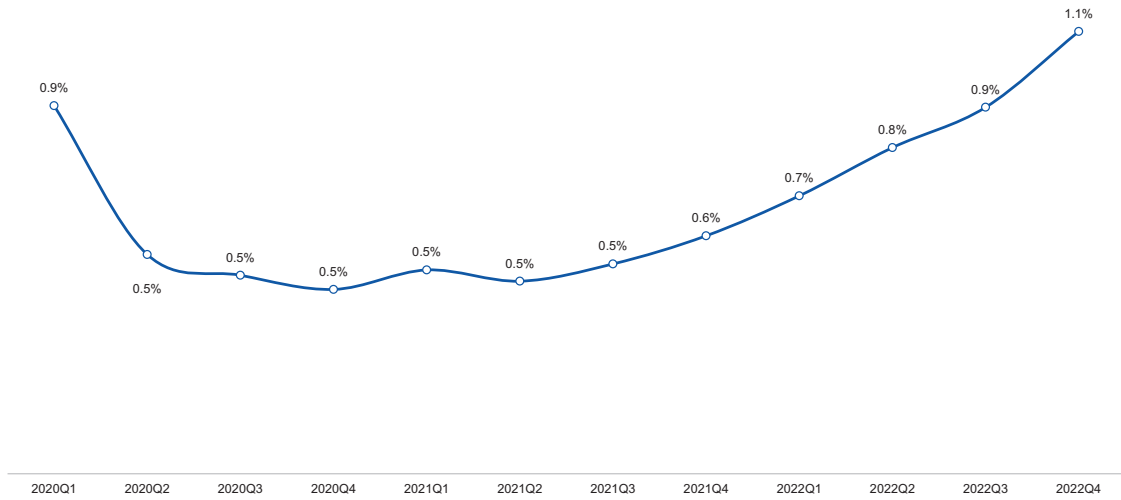
COVID-19 resurgence and regional lock-downs across China had impacted offline business activities and the effectiveness of our collection services. Weakening economic conditions, combined with the impact of COVID-19, have also weighed on borrowers' ability to repay in 2022. As illustrated in the charts above, the DPD 90+ delinquency rates for the 2021 loan vintage have noticeably heightened relative to older vintages as our collection efforts were impacted and borrowers had difficulties to repay their loan principal and interests that are still outstanding in 2022.

Flow rate is a forward-looking indicator that estimates the percentage of current loans that will become non-performing at the end of three months, and is defined as the product of (i) the loan balance that is overdue from 1 to 29 days as a percentage of the total current loan balance of the previous month, (ii) the loan balance that is overdue from 30 to 59 days as a percentage of the loan balance that was overdue from 1 to 29 days in the previous month, and (iii) the loan balance that is overdue from 60 to 89 days as a percentage of the loan balance that was overdue from 30 days to 59 days in the previous month.

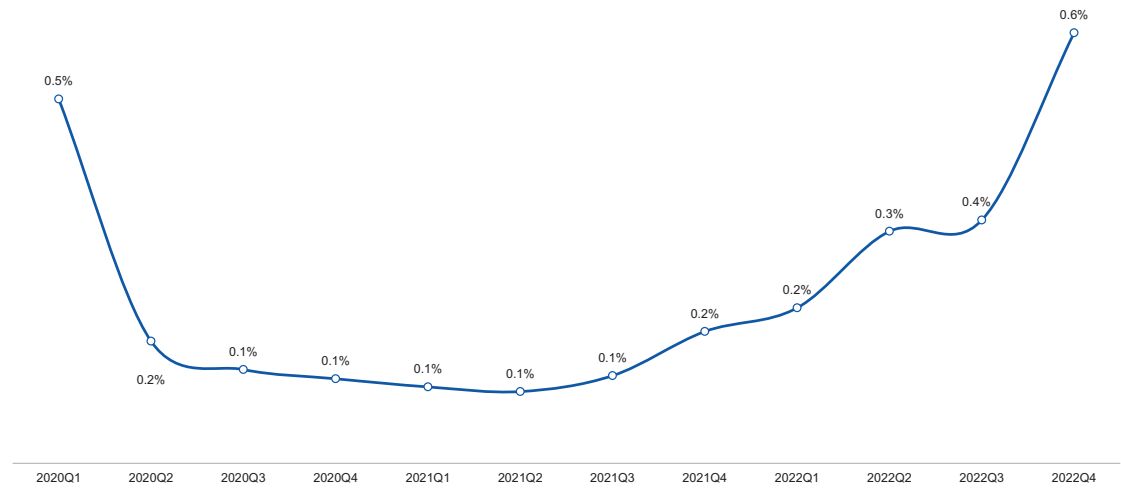
During the Wuhan lockdown when COVID first broke out in the first quarter of 2020, our flow rates quickly raised to 0.9% for general unsecured loans and 0.5% for secured loans, as compared to prepandemic levels at 0.5% for general unsecured loans and 0.2% for secured loans in the fourth quarter of 2019. The impact of Wuhan lockdown was mainly concentrated in one province for a few months. As we swiftly resumed our business operations in the second quarter of 2020, the flow rates declined to 0.5% for general unsecured loans and 0.2% for secured loans. Flow rates remained stable afterwards until the last quarter of 2021. The impact from multiple waves of COVID resurgence in 2022 was larger in magnitude and longer in duration. Our core small business owner segment, which made up the majority of our new loans enabled in 2022, has been among the earliest impacted by the deteriorating macro environment. These operating challenges have led to worsening flow rates reaching 1.1% and 0.6% respectively as of the fourth quarter of 2022 for general unsecured and secured loans. As flow rate is a leading indicator, it would more accurately reflect earlier signs of asset quality deterioration or improvements, as compared with delinquency rate which is a lagging indicator.

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The following chart shows the flow rates during the Track Record Period for the general unsecured loans we have enabled.



The following chart shows the flow rates during the Track Record Period for the secured loans we have enabled.



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The impact of COVID-19 has caused a divergence in flow rates between Chinese cities in different regions to emerge in 2022. COVID-19 has had both direct and indirect effects on small businesses. In addition to not being able to operate during lockdowns, small business owners may be hesitant to incur debt, expand the scale of their existing businesses or start new businesses, due to concern about future lockdowns. This effect seems to be stronger in less developed regions in China, which have been less resilient than the more developed regions in recovering from lockdowns. If we group the loans we have enabled under our Puhui brand (which excludes consumer finance loans) by province and divide the provinces into three groups of equal size (in terms of total outstanding loans) by the flow rate of the loans in the fourth quarter of 2022, there is a clear divergence between the top third, middle third and bottom third, as shown in the following chart:

Flow Rate (%)	For the Three Months Ended		
	June 30, 2022	September 30, 2022	December 31, 2022
Top third provinces	0.70	0.68	0.73
Middle third provinces	0.79	0.93	1.04
Bottom third provinces	0.94	1.14	1.33

In the fourth quarter of 2022, the top third consisted primarily of Shanghai, Beijing, and other provinces with large cities in the eastern part of the country, whereas the bottom third consisted primarily of provinces with smaller cities in the western part of the country and certain peripheral provinces in the north and south.

Our consumer finance subsidiary operates separately from our core retail credit and enablement business in many respects and has its own independent credit risk management personnel. As a licensed and regulated entity in the PRC, it must follow certain procedures and track certain metrics in order to ensure its compliance with regulatory requirements. As part of credit risk management for our consumer finance business, we conduct an online verification on customer identity and an anti-fraud assessment for each prospective borrower and determine the credit quota through our automated decisioning engine. Upon applying for drawdown, selected customers would enter into phone interviews with our credit assessment staff, and the drawdown would be disbursed after approval. We rely on a combination of text messages, AI and human agents in our collection process for consumer finance loans. We use texts and AI primarily for reminders and for payments that are not long overdue, and outsource collection efforts for longer overdue loans. The percentage of non-performing loans more than 60 days overdue for our consumer finance loans was 2.0% in 2020, 2.2% in 2021 and 1.9% in 2022. Our consumer finance subsidiary had a capital adequacy ratio of 118.6%, 35.6% and 18.2% as of December 31, 2020, 2021 and 2022, respectively.

Our Credit Enhancement Providers

Our credit enhancement providers include credit insurance companies and guarantee companies. We worked with seven credit insurance companies in 2022. We enable them to extend credit enhancement for loans whose borrowers meet their desired risk profile. Credit enhancement providers benefit from the same customer referral, risk analytics and loan servicing and collection services as our funding partners.

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The proportion of the outstanding balance of loans we enabled under the Puhui brand that was insured or guaranteed by third parties was 89.4%, 78.9% and 76.1% of the outstanding balance as of December 31, 2020, 2021 and 2022, respectively. Our loan enablement can be done either with or without third-party credit enhancement. How much credit risk we take on and whether third-party credit enhancement is utilized depend on a dynamic mix of commercial factors, including the pricing of credit enhancement and the willingness of our funding partners to bear risk, as well as regulatory guidance. We conduct commercial negotiations with our credit enhancement providers on a running quarterly basis, so changes in the credit enhancement market may affect the commercial terms of our agreements with our credit enhancement providers very quickly. If the cost of third-party credit enhancement is not commercially attractive, the proportion of loans for which we have credit risk could greatly exceed 30%, depending on the balance of risk and reward.

Ping An P&C provides credit enhancement on standard commercial arm's-length terms for loans we enable. Ping An P&C provided credit enhancement on 70.6% of the outstanding balance of loans we had enabled under our Puhui brand as of December 31, 2022. No other credit enhancement provider insured or guaranteed more than 2% as of that date. For loans we enable that are insured by Ping An P&C, we have entered into agreements with terms of three years with Ping An P&C and each of the funding partners. These third-party credit enhancement providers provide credit guarantee insurance or guarantees on the loans we enable and will repay the lenders if a loan becomes sufficiently delinquent. We are not aware of any instance where our credit enhancement providers have ever failed to fulfill their insurance or guarantee obligations. Our credit enhancement providers conduct their own evaluation of each borrower to determine whether they will provide insurance or guarantees while we help our partners collect the necessary information.

All of our credit enhancement providers are regulated and inspected by the Chinese authorities and subject to detailed statutory and regulatory requirements. Insurance companies are regulated and inspected by the China Banking and Insurance Regulatory Commission, or the CBIRC. Pursuant to the regulations and rules regarding insurance companies issued by the CBIRC, the minimum registered capital of an insurance company is no less than RMB200 million and must be fully paid up in cash. For insurance companies engaged in credit guarantee insurance, the core solvency adequacy ratio at the end of the last two quarters must be no less than 75%, and the comprehensive solvency adequacy ratio must be no less than 150%. We engage in a strict assessment process in selecting our credit enhancement providers. We assess whether an insurer has a license from the CBIRC to provide credit insurance on three-year retail credit, whether it is able to meet the CBIRC's stringent requirements for solvency ratios, concentration risks, leverage ratios and liquidity stress tests under the Measures for Regulating the Credit Insurance and Guaranty Insurance issued by the CBIRC in May 2020, and whether it has the relevant experience, track record and reputation within the industry. Our insurers are required to publicly file their quarterly solvency reports with the CBIRC, and we review their public filings to verify that they remain in compliance with the relevant requirements. Financing guarantee companies are regulated and inspected by the financial authorities of the local provincial or municipal government. Pursuant to the relevant regulations and rules regarding financing guarantee companies, the minimum registered capital of a financing guarantee company is not less than RMB20 million and must be fully paid up in currency, and net assets must be no less than one-fifteenth of their total outstanding guaranteed amount.

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We have established a highly automated claims process with our funding partners and credit enhancement providers. Once a loan becomes delinquent for 80 days, a notice of claim will be automatically sent to the third-party credit enhancement provider. Normally this payment occurs without our participation and the timing of it does not affect our cash flow or cash position.

The table below shows the amount of claims submitted to credit enhancement providers for the loans consolidated on our balance sheet and the amount of claims reimbursed during each period, in millions of RMB. The discrepancies in amounts submitted and amounts reimbursed are mainly due to timing differences. When we submit a claim, the credit enhancement provider will typically complete its review and make the payment to the funding partner within one business day.

	For the Year Ended December 31,		
	2020	2021	2022
Amount of claims submitted	1,938.8	5,084.4	12,490.0
Amount of claims reimbursed	1,940.1	5,084.4	12,490.0

Other Services

We enable a variety of financial institutions including banks, trust companies, mutual fund companies, private investment fund management companies, asset management companies, securities companies and insurance companies to access investors for wealth management products. We enabled 436 such partners in 2020, 470 in 2021 and 489 in 2022. The wealth management products we enabled in 2022 included asset management plans, mutual fund products, private investment fund products and trust products, among others.

OUR TECHNOLOGY

Our proprietary end-to-end system enables us to strengthen our product sourcing and enablement capabilities, streamline our loan enablement process, improve customer experience and achieve economies of scale and operational efficiency. Designed for scalability and flexibility, our end-to-end system handles massive volumes of data required to evaluate a large number of customers, product providers and products profiles, enable loan transactions, enable products that meet the needs of investors, and monitor fund transfers, and repayment activities. For example, we deploy biometric identification, natural language processing, and optical character recognition to eliminate some of the more onerous loan application procedures and simplify the process for borrowers to provide loan documentation.

Many of the advanced technologies that we use, such as facial and voice recognition technology for verifying customer identities, AI and machine learning algorithms, and the application of blockchain to suitability management, have been licensed from Ping An Group, Ping An Technology and OneConnect. We train these technologies using our own data and business scenarios to create our own proprietary applied technologies unique to our own business.

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Artificial Intelligence

Faster processor speeds, lower hardware costs, increasing sophisticated algorithms and the accumulation of high quality data have enabled us to adopt AI in more and more fields across our business. AI has helped us to reduce costs by increasing productivity and making decisions based on information that is too complex for a human to process. Our technology possesses leading artificial neural networks and by processing more examples from our over 17 years of through-cycle proprietary data, our neural network system evolves better and better over time. As a result we developed a deep learning model that could enable algorithms to powerfully analyze unstructured data for faster and cheaper credit scoring and quality loan assessments, precise marketing, custom-built intelligent customer service bots, pioneering regulatory compliance and various other business areas. Intelligent algorithms are able to spot anomalies and fraudulent information in a matter of seconds. The more we apply AI the more new use cases we find for it.

One of the key technologies here is natural language processing, which improves decision-making by analyzing large volumes of text and identifying key considerations affecting actions. For example, an ongoing AI-powered dialogue in our underwriting process leads to a more comprehensive understanding of the applicant. Using an algorithmic approach, we apply data analysis to provide credit scores for individuals with “thin” credit files, using alternative data sources to review loan applications. Leveraging such technologies allows for faster and cheaper credit scoring and ultimately makes quality loan assessments accessible to a larger number of people.

Another AI use case is our custom-built intelligent customer service bots and systems, used to streamline large parts of tedious customer service process. These automatically follow up on customer application break-points and rout the applicant to the right department within our company.

In 2020, we also introduced our latest pioneering regulatory technology, which focuses on making regulatory compliance more efficient and native to our core processes. The system uses natural language processing to cope with new regulations. To comply with these regulations, we apply AI-powered data analysis to build integrated risk and reporting systems. AI helps tackle regulatory quality issues, increasing the value of data to the authorities.

Data Science

Data technology is extensively used in the entire aspects of our operations, including KYC, KYP, anti-fraud and credit assessment, targeted marketing, product design and customer experience. We have invested significant resources in building up a petabyte-scale data platform, which covers a wide range of information pertinent to a customer’s profile and creditworthiness from a holistic perspective, particularly financial data that are more indicative of our customer’s financial strength and creditworthiness. We have accumulated over 17 years of through-cycle credit data, supplemented by Ping An ecosystem analytics and insights and access to enterprise data through external data providers, and our data-mining capabilities enable us to convert the originally unstructured data into structured data using deep learning and artificial intelligence techniques.

For example, through the application of deep learning and big data analytics, we utilize portfolio investment tools that construct tailored investment portfolio options that match investors’ risk appetites and

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can achieve higher investment return through diversification and automated investments. Based on our platform investors' investment behavior data, we also enable the offering of personalized investment products and services using automated algorithms and analytics, which significantly improve the conversion rate of our marketing activities. In addition, our data-driven anti-fraud model enable us to identify and screen out organized fraud attempts through graphic computation and machine learning algorithms. Furthermore, we have developed an AI-driven customer services information message system, which allows us to migrate our customer services from traditional telephone model to online interactive model and answer our customers' questions by machine, improving our operational efficiencies and customer experiences.

Blockchain

Blockchain is an open, distributed ledger that stores transaction data in a verifiable and immutable way, enabling parties to conduct business with each other on a single, unified system. We use our blockchain technology, built using the Ping An ecosystem's FiMAX architecture, to accomplish suitability management and transparent disclosure as well as to record interactions with our platform investors to ensure full traceability in case of complaints or disputes. The FiMAX architecture supports enterprise-grade blockchain development in addressing the challenges that arise using different parties' encrypted data in ways that maintain the integrity of each user's encryption. Combining FiMAX's patented crypto-controlled data-sharing algorithm and per-field encryption technologies, we believe that FiMAX is one of the first technology platforms in the industry to achieve data connectivity while retaining various users' data encryption—features that are critical for real life applications in the financial services industry.

Stable and Scalable Cloud-based Infrastructure

Our platform is built on cloud-native infrastructure supplied by Ping An Cloud. Ping An Cloud provides us with computing services, storage, server and bandwidth. We maintain redundancy through a real-time multi-layer data backup system to ensure the reliability of our network. Cloud-native flexibility enables us to deliver financial services with fast and seamless digital experience.

We have adopted modular architecture that consists of multiple connected components, each of which can be separately upgraded and replaced without compromising the functioning of other components. This advanced architecture gives us increased flexibility in adding or removing modules, and it speeds up the deployment of new capabilities, features and functionalities.

Our technology has built-in software and hardware redundancy. We make use of distributed computing architecture so that a single point of failure does not cause the entire system to fail. Combined with our modular architecture, this makes our platform both highly stable and easily scalable.

Research and Development

Since our inception, we have cultivated a culture of innovation and invested significantly in technology. We have a team of over 700 engineers and data analysts who have extensive working experience in China's internet and financial institution industries. Benefiting from the diversified background and expertise of our technology team, we have built our system infrastructure, which is reputable in both the internet and financial institutions industries.

Multilevel Security

We are committed to maintaining a secure online platform, as data protection and privacy are critical to our business. We have developed our proprietary security system, covering entire aspects of our operation and use a variety of techniques to protect our customer's data. We rely on multiple layers of network segregation using firewalls to protect against attacks or unauthorized access. We also employ proprietary technologies to protect our users. For example, if we suspect that a user's account or a transaction may have been compromised, we may use micro expression, facial recognition or voice recognition to validate that the person accessing the account or authorizing the transaction is the actual account holder. We also use automated data tiering technology to store our users' data to ensure safety and for any transmission of sensitive user information, we use data encryption to ensure confidentiality. Our security system has been certified by ISO27001 standard and PRC national level III security protection standard.

DATA SECURITY AND PRIVACY

We have established and implemented a series of comprehensive and stringent internal policies and measures covering cybersecurity and the lifecycle of data processing activities (data collection, transmission, storage, use, access, sharing, backup and recovery, deletion) to protect cybersecurity and data security and prevent data leakage. We have adopted internal control policies for cybersecurity and data protection at the Group level, which mainly include (i) Full Lifecycle Management of Data (《資料全生命週期管理》), which provides guidelines to regulate data processing activities at all stages of the data lifecycle, including collection, transmission, storage, use, sharing and destruction; (ii) Personal Information Protection Management Measures (《個人資訊保護管理辦法》), which provides the basic principles for processing personal information, collecting personal information, storing personal information, responding to personal information security incidents, classifying personal information and auditing personal information for compliance; (iii) Data Classification and Grading (《資料分類分級》), which classifies and manages data in a hierarchical manner, taking into account the business reality, optimizing the necessary control measures and establishing appropriate rights management for the different levels of data.

For each subsidiary, we have adopted internal control policies related to cybersecurity and data protection, taking Ping An Puhui as an example, which mainly comprises of: (i) Information Security Code — Personal Information Protection (《資訊安全規範-個人資訊保護》), which provides the general principles of processing personal information, collecting personal information, storing personal information, transmitting personal information, using personal information, deleting personal information, disclosing personal information, processing sensitive personal information, and assessing the impact of personal information protection; (ii) External Data Management Code (《對外資料管理規範》), which provides the management principles, allocation of responsibilities, prior assessment, declaration requirement process and post-event control in relation to the external processing of personal information; (iii) Personal Information Complaint Management Procedures (《個人資訊諮詢處理管理程式》), which provides the channels and principles for processing seven types of complaints relating to users' personal information: inquiries, corrections, deletions, withdrawal of authorized consent, account cancelation, request for copies of personal information and automated information system decisions; (iv) The Data Security Emergency Plan (《資料

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安全應急預案》), which provides the allocation of responsibilities for responding to information security incidents, the security incident reporting process and requirements, incident classification, incident response and handling timelines, incident assessment and suppression, incident remediation and recovery; (v) Data Lifecycle Management Specifications (《資料全生命週期管理規範》), which defines the design of information security controls at all stages of the full lifecycle of data collection, transmission, storage, use, sharing and destruction to ensure data confidentiality, integrity and availability, legality and compliance, minimization, auditability and traceability of data-related activities.

We have established a Personal Information Protection Policy (《個人資訊保護政策》) to ensure the legality and compliance of data processing activities, which, for example, specifies that the collection of personal information must be directly related to the products or services provided and that the user's consent should be obtained as required by the Personal Information Protection Law. Data transmission must be secured according to the level of risk, using cryptography or other reasonable and practicable security measures in accordance with relevant laws and regulations, market standards and internal policies to ensure the security of data transmission. In addition, we store users' personal information for the minimum time necessary to process such data, and personal information is encrypted and de-identified to ensure storage security. Personal information will be deleted without a copy in a timely manner after the purpose for which it was processed has been achieved, or as otherwise required by law or regulation. When data is used, personal information must be kept confidential and it is prohibited to disclose or manipulate personal information. If personal information is displayed through the interface, measures such as de-identification of the personal information to be displayed must be taken to reduce the risk of personal information being compromised in the display process. In addition, each subsidiary has taken technical measures to prevent computer virus attacks and has adopted network security protection strategies to prevent internal data leakage and ensure that data security incidents such as personal information leakage are monitored and effectively prevented.

During the Track Record Period and up to the Latest Practicable Date, (i) we have not experienced any material data or personal information leakage or loss, infringement of data or personal information, or information security incident; (ii) we have not been subjected to any material fines or administrative penalties, or other sanctions by any relevant regulatory authorities or material complaints in relation to violation of cybersecurity, data security and personal information protection laws and regulations; (iii) we have not received any material complaints in relation to data security and personal information privacy.

INTELLECTUAL PROPERTY

We strongly emphasize the establishment, application, administration and protection of intellectual property rights. Through research, development and application in our ordinary course of business, we have obtained various intellectual property rights, including for our Ping An Puhui mobile app and for our *Lu.com* domain name, which offer enormous value to our businesses.

We regard our patents, copyrights, trademarks, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on patent, copyright, trademark, and trade secret law and confidentiality, invention assignment and non-compete agreements with our employees

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and others to protect our proprietary rights. As of December 31, 2022, we had registered 568 patents with the PRC State Intellectual Property Office in China and 252 software copyrights and art work copyrights with the PRC National Copyright Administration. We had 43 registered domain names and 702 registered trademarks in the PRC as of the same date. For details of our material registered intellectual property, see “Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights” in Appendix IV to this document.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. Monitoring unauthorized use of our technology is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

In addition, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be harmed. Moreover, even if we are able to license the infringed or similar technology, license fees could be substantial and may adversely affect our results of operations.

We were not aware of any material incidents of intellectual property rights infringement claims or litigation initiated by others against us or vice versa during the Track Record Period and up to the Latest Practicable Date. See “Risk Factors—Risks Relating to Our Business and Industry—We may not be able to prevent others from making unauthorized use of our intellectual property, which could harm our business and competitive position” and “Risk Factors—Risks Relating to Our Business and Industry—We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.”

CUSTOMERS AND SUPPLIERS

We generate income from a large number of small business owners and other retail borrowers in China under our core retail credit and enablement business model. These customers are material in the aggregate but none of them individually is a material customer. Our top five customers are financial institutions for whom we provide a variety of services. We had over three years of business relationship with each of our top five customers during the Track Record Period. In 2020, 2021 and 2022, income from our top five customers accounted for 5.1%, 9.0% and 4.8% of our total income (i.e., less than 30% of our total income), respectively. The following table sets forth the background information of our five largest customers for each year during the Track Record Period.

Year ended December 31, 2020

<u>Customers</u>	<u>Customer business profiles</u>	<u>Role</u>
Ping An P&C	An insurance company with registered office in Shenzhen, Guangdong	Credit enhancement provider

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Customers	Customer business profiles	Role
Customer A*	A joint-stock commercial bank with registered office in Tianjin	Funding partner
Customer B*	A joint-stock commercial bank with registered office in Weihai, Shandong	Funding partner, wealth management product provider
Customer C*	A trust company with registered office in Nanchang, Jiangxi	Funding partner
Ping An Bank	A joint-stock commercial bank with registered office in Shenzhen, Guangdong	Partner under the referral business model, wealth management product provider

Year ended December 31, 2021

Customers	Customer business profiles	Role
Ping An P&C	An insurance company with registered office in Shenzhen, Guangdong	Credit enhancement provider
Ping An Bank	A joint-stock commercial bank with registered office in Shenzhen, Guangdong	Partner under the referral business model, wealth management product provider
Customer A*	A joint-stock commercial bank with registered office in Tianjin	Funding partner
Customer B*	A joint-stock commercial bank with registered office in Weihai, Shandong	Funding partner, wealth management product provider
Customer D*	A joint-stock commercial bank with registered office in Hangzhou, Zhejiang	Funding partner

Year ended December 31, 2022

Customers	Customer business profiles	Role
Ping An Bank	A joint-stock commercial bank with registered office in Shenzhen, Guangdong	Partner under the referral business model, wealth management product provider
Ping An P&C	An insurance company with registered office in Shenzhen, Guangdong	Credit enhancement provider
Customer E*	A fund sales company with registered office in Shanghai	Wealth management product provider
Customer D*	A joint-stock commercial bank with registered office in Hangzhou, Zhejiang	Funding partner
Customer A*	A joint-stock commercial bank with registered office in Tianjin	Funding partner

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Note:

- * The Company's contract with such customer contains customary non-disclosure provisions that limit the Company's ability to disclose confidential information, including their identities. The Company has not received consent from such customer to disclose its name in this document.

Ping An P&C was our largest customer in 2020 and 2021. We generated income of RMB1,274 million and RMB3,641 million from Ping An P&C in 2020 and 2021, representing 2.4% and 5.9% of our total income, respectively. Our largest customer in 2022 was Ping An Bank. We generated income of RMB1,227 million (US\$176 million) from Ping An Bank in 2022, representing 2.1% of our total income. See "Relationship with the Controlling Shareholders—Our Relationship with Ping An Group" for further details about our cooperation with Ping An Group. See "Connected Transactions" for our transactions with the Ping An Group going forward. Please also see "Risk Factors—Risks Relating to Our Business and Industry—We have extensive cooperation with Ping An Group in our business. If such cooperation is subject to any change or if Ping An Group cannot continue to support us, our business, financial performance and results of operations may be adversely affected."

We enter into cooperation agreements with institutional funding partners in relation to our provision of services to enable transactions between institutional funding partners and borrowers. The agreements cover various terms including scope of services, fees (typically including a fixed amount and a floating component based on circumstances and preferences of the institutional funding partner), term of contract, and consequences in the event of breach of contract, among other. The following table summarizes the salient terms of a typical cooperation agreement that we enter into with an institutional funding partner:

Key Terms	Descriptions
Service type	We offer risk analytic services, facilitate the entry of relevant agreements relating to consumer loans or SBO loans between institutional funding partners and borrowers, and provide post-loan services. We provide guarantee and/or insurance to the loans that meet certain criteria and assume credit risks.
Fees	We charge consulting service fee to the institutional funding partner for risk analytics, post-loan services and other related services.
Term and renewal	Three to five years, which may be renewed prior to expiry upon entry into a new cooperation agreement.
Termination	The cooperation agreement may be terminated upon, but not limited to, the occurrence of any of the following events: (i) the institutional funding partner promoting loan products, other than the products contemplated under the cooperation agreement, to borrowers that we refer to the institutional funding partner; or (ii) the institutional funding partner providing information of the borrowers that we refer to the institutional funding partner to any third party who is not a party to the cooperation agreement (each, a " Termination Event ").

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Key Terms	Descriptions
Penalty	Upon the occurrence of the Termination Event, we are entitled to all income derived from the Termination Event and received by the institutional funding partner and any third party that it collaborated with. Any party breaching any obligations provided in the cooperation agreement may be required to compensate the non-breaching party/parties for the damages caused to the non-breaching party/parties.

We also enter into service agreements with borrowers in relation to our provision of services to enable transactions between institutional funding partners and borrowers. The agreements cover various terms including scope of services, fees (typically based on circumstances of the borrowers), contract term, and consequences in the event of breach of contract, among others. The following summarizes the salient terms of a typical financing agreement that we enter into with a borrower:

Key Terms	Descriptions
Service type	We offer credit-screening and consulting services to assist the borrower in securing loans funded by our institutional funding partner.
Fees	We charge service fees to the borrower typically on a monthly basis for the services provided.
Term and renewal	The same as the term of the loan disbursed by the institutional funding partner, subject to certain exceptions and adjustments.
Termination	The service agreement may be terminated upon, but not limited to, the occurrence of any of the following events: (i) we are no longer able to provide services due to policy changes; (ii) the borrower is using our services for illegal purposes; (iii) any fraudulent conduct committed by the borrower in relation to the services provided by us; (iv) the borrower's disqualification to use our services, subject to our reasonable discretion; and (v) any other event that causes obligations contemplated under the agreement cannot be performed.
Penalty	The borrower will assume all legal liabilities if it violates any laws and regulations or provides false information to us, causing us to suffer damages.

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In addition, we enter into service agreements with institutional funding partners in relation to our provision of asset management services to trusts. The agreements cover various terms including scope of services, fees, contract term, and consequences in the event of breach of contract, among others. The following table summarizes the salient terms of a typical service agreement that we enter into with an institutional funding partner:

Key Terms	Descriptions
Service type	We offer asset management services to the trusts, which include but not limited to, maintaining books and records of the assets that are held in the trusts in relation to enablement of loans, collecting the loans, participating in legal proceedings in conjunction with collection of the loans and recovery of trust assets. The institutional funding partner also provides asset management services to the trusts, including but not limited to, accounting of the assets and disbursing loans.
Fees	We charge service fees for the asset management services. We are entitled to reimbursement if we incur expenses in relation to legal proceedings brought to recover trust assets, subject to certain limitations.
Term and renewal	The service may be terminated upon (i) the complete return of capital commitments and accrued interests to subscribers of the trust if the asset backed special plan (“ ABS plan ”) in connection with the trust is not established successfully; or (ii) the completion of liquidation after the termination of the ABS plan.
Termination	The service agreement may be terminated upon, but not limited to, the occurrence of any of the following events: (i) material breach of the service agreement by us or the institutional funding partner; (ii) any material adverse event that relates to us or the institutional partner as reasonably determined during a meeting of controlling investors of ABS plan; and (iii) any force majeure event.
Penalty	We are obligated to compensate the investors of the trusts for damages incurred if we commit willful misconduct, gross negligence or other breach of our obligations pursuant to the service agreement. Any party breaching any obligations or certain representations and warranties provided in the service agreement, including but not limited to, operating with the required business licenses and compliance with the PRC laws and regulations relating to false advertisement and intellectual property, may be required to compensate the non-breaching party/parties for the damages caused to the non-breaching party/parties.

We also enter into agreements with our funding partners in relation to our guarantee services through our financing guarantee subsidiary to enable transactions between institutional funding partners and borrowers. The agreement covers various terms including scope of services, contract term, and

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consequences in the event of breach of contract, among others. The following summarizes the salient terms of a typical guarantee agreement that we enter into with a funding partner.

Key Terms	Descriptions
Service type	We offer guarantee services against potential defaults of borrowers to our funding partners.
Fees	We charge guarantee fees to borrowers for guarantee services provided by us.
Term and renewal	Typically three years. If there are outstanding loans to be repaid by borrowers at the end of the term, we and funding partners should continue to fulfill the obligations under the guarantee agreement till the full repayment. Our payment obligation under such guarantee agreements will typically become due upon the lapse of the pre-agreed guarantee compensating period of 80 days with our fund partners.
Termination	The guarantee agreement may be mutually terminated if (i) we or our funding partners fail to verify and manage the use of funds in accordance with relevant laws and regulations, provide timely feedback to each other regarding inconsistencies of the actual use of funds with intended purpose, and establish regular communication mechanisms or (ii) we or our funding partners induce borrowers to change the use of funds, conceal actual use of funds, induce borrowers to file malicious complaints and conduct false advertising.

Our suppliers primarily include companies that provide credit-related technology services. We had over three years of business relationship with each of our top five suppliers during the Track Record Period. In 2020, 2021 and 2022, our top five suppliers accounted for 9.2%, 8.1% and 6.0% of our total expenses for the respective years (i.e., less than 30% of our total expenses). In 2020, 2021 and 2022, our largest supplier accounted for 3.7%, 3.3% and 2.7% of our total expenses for the respective years. Ping An Payment Technology Services Co., Ltd. (平安付科技服務有限公司) was our largest supplier in each of 2020, 2021 and 2022.

On a group basis, income from our largest customer in 2020, 2021 and 2022 accounted for 3.6%, 8.0%, and 4.4% of our total income (i.e. significantly less than 30% of our total income), respectively. In 2020, 2021 and 2022, income from our five largest customers on a group basis accounted for 6.2%, 10.0% and 5.2% of our total income (i.e. significantly less than 30% of our total income), respectively. In addition, in 2020, 2021 and 2022, expenses from our largest supplier on a group basis accounted for 9.1%, 8.6% and 6.5% of our total expenses (i.e. significantly less than 30% of our total income), respectively. In 2020, 2021 and 2022, expenses from our five largest suppliers on a group basis accounted for 12.7%, 10.9% and 8.1% of our total expenses (i.e. significantly less than 30% of our total expenses), respectively. Therefore, there is no concentration risk in our five largest customers or suppliers even on a group basis.

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PROPERTIES

We are headquartered in Shanghai. We had 662 offices in China and another 3 offices in Hong Kong and Indonesia as of December 31, 2022. The following table sets forth a summary of our facilities as of December 31, 2022:

	<u>Number of Facilities</u>	<u>Aggregate Size (m²)</u>
Guangdong	71	73,707
Jiangsu	63	64,747
Shanghai	15	56,504
Shandong	44	41,210
Hubei	30	36,350
Henan	29	33,576
Hebei	36	33,489
Sichuan	31	31,742
Anhui	21	26,458
Hunan	23	20,561
Others	302	202,120
Total	665	620,465

Owned Properties

As of December 31, 2022, properties that we own have a total gross floor area of 3,603 square meters and each owned property ranges from a gross floor area of approximately 79 square meters to 136 square meters. We have valid title certificates or relevant authorization certificates to substantially all of the properties that we own. We have been advised by our PRC Legal Adviser that we have the legal ownership of the properties for which we have valid title certificates or relevant authorization certificates and we have the rights to possess, utilize, and generate income from these properties.

Leased Properties

We lease our premises under lease agreements. The lease terms vary typically from one to six years. As of December 31, 2022, our leased properties have a total gross floor area of over 620,000 square meters. Much of our system hardware is hosted in leased facilities located in Shanghai, Shenzhen and Hebei that are operated by our IT staff. We also maintain a real-time backup system and a remote backup system at separate facilities also located in Shanghai, Shenzhen and Hebei. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as office premises for our business operations. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth.

As of December 31, 2022, lessors of 20 of our material leased properties in China with a total gross area of over 35,000 square meters had not provided us with ownership certificates or other similar proof evidencing their rights to lease the properties to our principal subsidiaries and variable interest entities. As a

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result, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. See “Risk Factors—Risks Relating to Our Business and Industry—Any failure to comply with PRC property laws and relevant regulations regarding certain of our leased properties may negatively affect our business, results of operations and financial condition.”

Pursuant to PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of December 31, 2022, we had not obtained lease registrations for the majority of the material properties we leased in China, primarily due to the difficulty of procuring our lessors’ cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. Our PRC Legal Adviser has advised us that the lack of registration for the lease contracts will not affect the validity of such lease contracts under PRC law, and has also advised us that a maximum penalty of RMB10,000 may be imposed for each incident of noncompliance of lease registration requirements. We will take all practicable and reasonable steps to ensure that the unregistered leases are registered.

SEASONALITY

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, including seasonal factors and economic cycles that influence customer borrowing activities. Seasonality is not a major factor in fluctuations in our operating results.

COMPETITION

We compete primarily with non-traditional financial service providers such as MYbank, WeBank, Du Xiaoman Financial and JD Technology, and with traditional financial institutions, such as traditional banks, which are focused on retail and SMB lending. Many non-traditional financial service providers trace their origins back to services offered by a technology company, so they tend to compete with us in segments of the market that are more amenable to purely technological solutions and do not necessarily require strong financial expertise. Banks may compete with us as lenders or cooperate with us as funding partners. The PRC government is encouraging banks to increase their lending to the small business sector, which may cause them to pay more attention to the kinds of borrowers that we target than they have in the past. In addition, decreases in the maximum APR that can be charged to borrowers and our own increasing focus on high-quality borrowers to maintain credit quality may also cause our target borrowers to overlap more with those that banks have targeted in the past.

Some of our larger competitors have significant financial resources to support heavy spending on sales and marketing and to provide more services to customers. We believe that our ability to compete effectively for borrowers and investors depends on many factors, including the variety of our products, quality of our user experience, effectiveness of our risk management, our partnership with third parties, our marketing and selling efforts and the strength and reputation of our brand.

Furthermore, as our business continues to grow rapidly, we face significant competition for highly skilled personnel. The success of our growth strategy depends in part on our ability to retain existing personnel and add additional highly skilled employees.

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INSURANCE

We maintain major insurance coverage for areas such as office buildings and facilities, equipment and materials, and losses due to fire, flood and other natural disasters. We believe our insurance coverage is adequate and in line with the commercial practice of industries we operate.

While a significant portion of our loan products carry credit guarantee insurance provided by third parties, the insurance premiums are paid by the borrower as part of the cost of the loan, and we are not obligated to pay any of the premiums.

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by the PRC laws and regulations and in accordance with the commercial practices in our industry. However, our insurance policies are subject to standard deductibles, exclusions and limitations. As a result, our insurance policies may not be able to cover all of our losses and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies. For details of risks relating to our insurance coverage, see “Risk Factors—Risks Relating to Our Business and Industry—We have limited insurance coverage, which could expose us to significant costs and business disruption.”

LICENSES AND QUALIFICATIONS

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to obtain various licenses and regulatory approvals to operate our business. See “Regulatory Overview” in this document for details about the regulations that apply to us. During the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary licenses that are material to our business operations from the relevant government authorities. Some of our licenses are valid for an indefinite term, and some are valid for a fixed period and subject to renewal upon expiry in accordance with the applicable PRC laws and regulations. Our Directors do not expect any impediment in the renewal of our licenses.

The table below sets forth a summary of the principal licenses that we have obtained for our business operations as of the Latest Practicable Date:

<u>License</u>	<u>Holder</u>	<u>Supervisory Authority</u>	<u>Latest Grant Date</u>	<u>Date of Expiry</u>
Financial Business Permit	Ping An Consumer Finance Co., Ltd.	China Banking and Insurance Regulatory Commission Shanghai Office	January 13, 2022	N/A
Financing Guarantee Business Operation License (License No. Su 010032)	Ping An Puhui Financing Guarantee Co., Ltd.	Jiangsu Local Financial Supervision Authority	May 30, 2022	N/A

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License	Holder	Supervisory Authority	Latest Grant Date	Date of Expiry
Private Investment Fund Manager Registration Certificate (No.P1002716)	Shenzhen Ping An HuiFu Asset Management Co., Ltd.	Asset Management Association of China	May 26, 2014	N/A
Chongqing Municipal Financial Work Office on the Approval of the Opening of Chongqing Jinan Microfinance Co. (Letter No. 32 [2015] of Chongqing Financial Work Office)	Chongqing Jin'an Microloan Co., Ltd	Chongqing Financial Work Office	February 26, 2015	N/A
Value-added Telecommunications Business License (License No. Yu B2-20160063)	Chongqing Financial Assets Exchange Co., Ltd.	Communications Administration of Chongqing Province	December 16, 2021	December 16, 2026
Chongqing Municipal People's Government on the establishment of the Chongqing Financial Assets Exchange approval (Letter No. 119 [2010] of Chongqing Municipal People's Government)	Chongqing Financial Assets Exchange Co., Ltd.	Chongqing Municipal People's Government	December 14, 2010	N/A
Value-added Telecommunications Business License (License No. Yue B2-20280140)	Shenzhen Lufax Internet Information Services Co., Ltd.	Communications Administration of Guangdong Province	February 14, 2023	February 14, 2028
P2P Lending License ⁽¹⁾	PT Ringan Technology Indonesia	Indonesian Financial Services Authority or Otoritas Jasa Keuangan ("OJK")	August 2, 2021	N/A

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Note:

- (1) We hold a P2P lending license in Indonesia since we may be able to copy our successful business model in China to Indonesia, which is a fast-developing international market.

AWARDS

The following table sets forth some of the most important awards we have received in recognition of our business and capabilities during the Track Record Period:

Year	Award	Issuing Authority
2020	Fintech of the Year, China	The Asset
2020	Top 100 Most Valuable Chinese Brands, No. 19	WPP KANTAR
2020	China's Fintech Pioneer List 2020 中國金融科技先鋒榜	Securities Times 證券時報
2020	Diamond Award for AI; Platinum Award for Blockchain-based Transformation; Platinum Award for Cybersecurity	Institute of Financial Technologists of Asia
2021	Top 50 Online New Economy (Shanghai) 在線新經濟（上海）50強	Jiemian News, Shanghai United Media Group 上海報業集團 界面新聞
2016-2021	China Leading Fintech 50 List	KPMG China
2022	Best Inclusive Finance Project in China 中國最佳普惠金融項目; Annual Green Sustainable Management Platform 年度綠色可持續管理平臺	The Asian Banker 亞洲銀行家
2022	Excellent and Competitive Financial Institution for SME Services 卓越競爭力普惠金融踐行金融機構	China Business Journal 中國經營報
2022	2022 China ESG 50	Forbes China 福布斯
2022	Sustainable Development Species Award 可持續發展物種獎 (for our Janus risk decision engine)	Harvard Business Review (China edition) 哈佛商業評論
2022	Competitive Company of the Year 2022 年度競爭力公司	21st Century Business Herald 21世紀經濟報導

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are dedicated to corporate social responsibilities, environmental awareness, and long-term sustainable development. Being a socially responsible company is an integral part of our business and has been our core value since our inception. We have taken various initiatives and practices to promote our value.

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ESG Governance

As the foundation to realize the sustainable development of our Company, we have formulated a series of internal ESG management policies to guide all business departments to improve the scientific, systematic and standardized ESG management. Our board of directors is the highest decision-making body for ESG management. To effectively supervise and implement ESG-related tasks of our Company, our board set a Consumer Rights and Interests Protection and Environmental, Social and Governance Committee (the “Consumer Protection and ESG Committee”), which mainly supervise consumption, protection and ESG issues. The Consumer Protection and ESG Committee further authorizes relevant functions to the Executive Committee, which primarily is responsible for the execution of specific ESG targets, managing policy formulation and performance evaluation, the identification of material ESG issues for business operation and stakeholders and reporting the outcomes of ESG management to the Board regularly. Under the Executive Committee, an ESG Executive Group and an Executive Group for Consumer Rights and Interests Protection are set up, consisting of various companies and functional departments, to optimize the top-down ESG governance framework, and effectively supervise, manage and deliver all ESG-related tasks within our Company. To effectively manage and control ESG-related risks, we have incorporated ESG indicators into the performance appraisal system of senior executives, directly linking ESG governance with their remunerations.

Our ESG strategies generally address three key areas: society, which entails consumer rights and interest protection measures, environment, which broadly includes energy preservation and reduction of carbon emission, and governance, which targets the sustainable development management.

Our Commitment to Social Responsibilities

We believe that our continued growth rests on integrating social values into our business and serving the community at large in China. Since our inception, we have been highly committed to supporting and participating in charitable and socially responsible projects that align with our core values and mission, and to establishing inclusive technology and innovations to extend the benefits of our technological capabilities to the community at large.

Our major corporate social responsibility initiatives include:

The Preferential Agricultural Fund

We established the Preferential Agricultural Fund, which is an innovative program that aims to revitalize the rural economy by supporting micro and small businesses as well as cooperatives in rural areas. Focusing female leaders of rural cooperatives, we provide them with well-rounded entrepreneurship and employment assistance through interest-free funds, skill trainings, and traffic support.

In 2021, we joined forces with the China Women’s Development Foundation, the Ningxia Women’s Federation, and Ningxia Women and the Children’s Development Foundation and announced a grant of RMB10 million for the Huinongjin (惠農金). The funds have been granted to rural micro and small businesses and cooperatives led by 13 female entrepreneurs in six provinces to support their entrepreneurship and innovation. In 2021, we donated another RMB2 million to the China Women’s Development Foundation for distributing Preferential Agricultural Funds in the following two years.

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Supporting Students and Promoting Education

We have a long-standing commitment to providing each child with an opportunity to lead a better life through knowledge. We have continued to assist Ping An Hope Primary School in Niuhe, Gansu in the past six years. Our volunteer team supports the healthy development of local students by providing on-site visits, online and offline interactions, a variety of courses that range from basic courses to horizon-broadening AI courses, and comprehensive supplies, including school supplies to students.

Initiatives to Combat the COVID-19 Pandemic

Since the outbreak of the COVID-19 pandemic, we have been supporting nationwide efforts to contain the pandemic and motivating employees to participate in volunteer activities in local communities. In response to volunteer shortage during the pandemic, our volunteers actively participated in events to combat the pandemic, with over 8,550 employees working in the front line for epidemic prevention and control. For example, our Shenzhen branch sent nearly 20 groups of volunteers to assist in nucleic acid testing and our Beijing branch brought supplies to community residents, helped to build nucleic acid testing tents, and assisted with testing.

Donations to Society

We pay close attention to trending social issues and have launched several charity donations that benefit the community at large in China. For example, we invested RMB8.5 million in public welfare in 2021. This included RMB5.8 million spent on the national park program for the Ping An Guardian Action, which is a program designed to strengthen the development of China's ecological environment protection and restoration; RMB2 million spent on our Preferential Agricultural Funds program; RMB500,000 spent to support China's nationwide efforts to combat the COVID-19 pandemic; and the remaining RMB200,000 spent on the Dream in the New Era initiated by the Central Conservatory of Music, which is a program that brings music education to students in rural areas. In addition, to relieve the pressure induced by the shortage of supplies during the COVID-19 pandemic, we aligned forces across our branches nationwide to procure urgently needed supplies, including protective suits, face masks, medical gloves, clothing and food, and donated them to local governments, communities and local police stations.

We are also committed to protecting consumers' financial rights and interests, such as the right to information and independent choice. At the same time, we join forces with various institutions of all levels to promote financial knowledge, including antifraud knowledge and techniques, to safeguard consumers' asset. Set forth below is a few initiatives we have taken to strengthen consumer rights and interest protection.

Responsible Marketing. We have formulated relevant marketing, advertisement and sales regulations to regulate our Company's code of marketing and publicity conduct and clarify the review and approval process for marketing and publicity materials as well as the penalty mechanism for non-compliance. We have established a material review, approval and supervision mechanism for responsible marketing, stipulating that all marketing materials must be reviewed for compliance, and approved by authorized management personnel of our Company to ensure the compliance and appropriateness regarding the content

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and form, and thereby preventing any exaggerated or false publicity. In order to raise the awareness of compliant marketing and avoid noncompliance marketing risks among relevant personnel, we have set up various compliance marketing promotion activities, such as induction training, special training, compliance week and compliance month activities, daily meetings and case studies.

Protection of Financial Consumers. We attach great importance to consumer protection by establishing a whole-process system for consumer rights and interest protection. A Consumer Rights and Interests Protection Affairs Committee has been established responsible for planning, arranging and deploying the implementation of protecting consumer rights and interests, monitoring and reviewing products, and reporting to our board and the Consumer Protection Executive Committee regularly. We have standardized the debt-collection process and trained our employees on debt collection through in-person lectures and online courses. In addition, we also use technological means to monitor violent debt-collection and any other behaviors that may undermine the rights and interests of customers. In joint hands with authoritative media, we expose anti-collection organization scams to raise customers' alertness.

We remain committed to taking sustainable corporate responsibility initiatives and making our contributions to society, in particular to those in need, in China.

Environmental Sustainability and Worker Safety

We do not operate any manufacturing facilities or any logistical facilities. Therefore, we are not subject to significant health, work safety or environmental risks. We believe that our business operation did not have any significant impact on the environment and climate change during Period. We are, however, dedicated to environmental awareness and energy efficiency. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisor, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with health, work safety, social or environmental regulations.

Metrics and targets

We have established environmental goals and initiated green office measures in the following areas to achieve low-carbon and sustainable development goals.

- Greenhouse gas emission. We evaluate our greenhouse gas emission level using total greenhouse gas emission measured in tons. In 2021, our total greenhouse gas emission was 36,613.5 tons. We intend to keep the level of our total greenhouse gas emission between 80% and 120% of that in 2021 over the next three years.
- Water usage. We evaluate our water usage level using total water usage measured in tons. In 2021, our total water consumption was 227,721.4 tons. We intend to keep the level of our water usage between 80% and 120% of that in 2021 over the next three years.

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- Electricity consumption. We evaluate our energy consumption level using total energy consumption measured in MWh. In 2021, our total energy consumption was 54,523.7 MWh. We intend to keep the level of our energy consumption between 80% and 120% of that in 2021 over the next three years.
- Paper consumption. We evaluate our paper consumption level using total weight of paper measured in tons. In 2021, our total paper consumption was 473.8 tons. We intend to keep the level of our paper use between 80% and 120% of that in 2021 over the next three years.
- Solid waste discharge. We evaluate our solid waste discharge level using total weight of solid waste measured in tons. In 2021, our total solid waste discharge was 505.9 ton. We intend to keep the level of our solid waste discharge between 80% and 120% of that in 2021 over the next three years.

Measures to Achieve the Goals

Green Office. We have initiated several green office measures to achieve low-carbon and sustainable development. To save electricity, we have installed energy-saving LED lights to replace traditional tubes, designed zonal circuit in the office area and installed smart meters to monitor real-time data for effective consumption management. To save water, we have installed induction faucet to avoid unnecessary waste of water and advocated water-saving awareness through campaigns, such as posting save water slogans in our offices. To save resources, such as paper, we have advocated paperless office by practicing cloud printing and reducing the use of paper materials in work groups and promoted a digitalized bidding process to reduce the use of related paper materials. To reduce solid waste, we revitalize idle assets and reduce the generation of waste. In addition, we properly dispose and recycle harmless and hazardous wastes generated in office and operation processes after classification. For hazardous wastes such as printer cartridges and waste lamps, we have set up special disposal areas and recycling processes. For computer accessories and used batteries, they are sent to qualified suppliers for centralized and proper treatment regularly. In order to improve the current asset utilization, we collect the data of idle assets from various places every month and share the pooled data of available old resources nationwide. A reward mechanism is included in the asset assessment module to encourage everyone to make full use of old resources, reduce the purchase of new equipment, and improve the efficiency of equipment use.

Green Finance. Thanks to the use of digital and AI technology in our industry, we have set up a green finance office, which has full authority to manage the green financial products sold on the platform designed to support environmentally friendly industries, such as sewage treatment and new energy. To support the sustainable development of low-carbon and green finance, and respond to the national industrial plan and the United Nations sustainable development goal initiative, we specifically introduced ESG-related public offering products and underlying assets and invested in net worth products in fields of green finance, energy conservation and emission reduction. For example, we have released a new product tailored to new energy vehicles, which solves the financing difficulties for many new energy vehicle owners and lowers the threshold for traditional vehicles trade-in products to facilitate the goal of carbon neutrality.

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Green Supply Chain. We have established a set of management system covering the whole process of supplier access, screening, and assessment. In accordance with the Rules for the Management of Suppliers in Procurement, the Guidelines for the Inspection and Management of Suppliers in Procurement, etc., we managed all suppliers in a systematic, institutionalized and standardized way, and conducted regular supplier inspections. We also regularly review the ESG performance of suppliers. For example, we pay attention to their performance in labor management, and ask them to abide by the Guiding Principles on Business and Human Rights of the United Nations, as well as the laws and regulations in places where they operate, including the prevention of child labor and forced labor. All suppliers are required to protect the legitimate rights and interests of employees.

Green Data Center

Keeping sustainability in mind, we also go to great lengths to ensure our data center service provider is fully competent in carrying out sustainable operations and exerts continuous effort to minimize environmental impact. We have enlisted environmental protection capability as one of our assessment elements when evaluating service suppliers. The supplier's evaluation metrics include environmental impact, energy and resource utilization, use of renewable energy, and regional climate conditions.

During the Track Record Period, we outsourced our data center service to third-party providers. Data centers maintaining these IT infrastructures have a significant impact on the environment due to their high levels of energy consumption and carbon emissions. These facilities consume large amounts of electricity to power their servers, cooling systems, and other equipment, leading to increased demand for energy from power plants, many of which rely on fossil fuels. The production of electricity from fossil fuels such as coal and natural gas results in the release of greenhouse gases primarily carbon dioxide, which contribute to global warming and climate change. In addition, the cooling systems used in data centers often rely on refrigerants that can be harmful to the ozone layer and contribute to global warming.

Since we engage data center service providers to conduct certain of our operations, we are uniquely positioned to address climate change by incentivizing our data center service providers to adopt more environment-friendly measures to mitigate carbon emission and energy consumption. Engaging a green data center is important to us for a number of reasons.

- As the demand for energy increases, the cost of energy can become more volatile, leading to potential price increases that could impact the operating costs of data centers and ultimately, the prices charged by server custody and/or cloud computing services provided to us;
- Governments and regulatory bodies are increasingly taking action to address climate change, which could result in new regulations and policies that impact the operations of data centers and consequently our operations related to data center services; and
- Customers and stakeholders are becoming more aware of the environmental impact of data centers and may choose to avoid companies that are perceived to have a negative impact on the environment.

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In light of the increased climate change awareness, we have taken a series of measures to promote environmental sustainability. For example, we select data center service providers based on a stringent bidding procedure. In addition, we evaluate the environmental performance of our data center service providers from many aspects, including its environmental impact, energy and resource utilization efficiency, use of renewable energy, and regional climate conditions. Our data center service providers are committed to promoting green operations and building green data centers that use renewable energy and energy-saving technologies and protocols that improve energy utilization. To minimize environmental impact and reduce energy consumption, our data center service providers have introduced natural cooling technologies to our water-cooled air conditioning system that are environmental friendly and reduce the consumption of traditional energy sources that are harmful to the environment.

EMPLOYEES

Our success depends on our ability to attract, retain and motivate qualified personnel, including personnel from both the finance and technology industries. We had a total of 71,034 full-time employees as of December 31, 2022. Almost all of our employees are based in China.

The following table sets forth a breakdown of our employees by function as of December 31, 2022:

Function	<u>Number of Employees</u>	<u>Percentage</u>
Sales and marketing		
Direct sales	46,991	66.2
Channel management	3,756	5.3
Online sales	<u>3,381</u>	<u>4.8</u>
Total sales and marketing	54,128	76.2
Credit assessment	1,993	2.8
Post-origination services	9,547	13.4
General and administrative	4,420	6.2
Technology and research	745	1.0
Other	<u>201</u>	<u>0.3</u>
Total	<u><u>71,034</u></u>	<u><u>100.0</u></u>

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The following table sets forth the number of our employees by geography as of December 31, 2022:

	<u>Number of Employees</u>	<u>Percentage</u>
Jiangsu	8,193	11.5%
Guangdong	7,519	10.6%
Shanghai	4,974	7.0%
Shandong	4,665	6.6%
Hebei	4,499	6.3%
Hubei	4,161	5.9%
Henan	3,648	5.1%
Sichuan	3,581	5.0%
Anhui	3,306	4.7%
Hunan	2,445	3.4%
Others	24,043	33.8%
Total	<u>71,034</u>	<u>100.0%</u>

As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses, incentive share grants and other incentives. Our management recognizes the importance of realizing personal values for our employees and promotes a transparent appraisal system for all our employees seeking career advancement across different business departments. Our appraisal system provides the basis for making human resource decisions such as base compensation, bonuses, career promotion and employee share incentive grants. In order to maintain a competitive edge, we will continue to focus on attracting and retaining qualified professionals by providing an incentive-based and market-driven compensation structure that rewards performance and results.

We primarily recruit our employees through recruitment agencies, on-campus job fairs, industry referrals, internal referrals and online channels. In addition to on-the-job training, we regularly provide management, financial, technology, regulatory and other training to our employees by internally sourced speakers or externally hired consultants. Our employees may also attend external training with the approval of their supervisor.

As required by PRC laws and regulations, we participate in housing fund and various employee social security plans that are organized by the regional government authorities, including housing, pension, medical, work-related injury, maternity insurance and unemployment benefit plans, under which we make contributions at specified percentages of the salaries of our employees. We also purchase commercial health and accident insurance coverage for our employees. During the Track Record Period and up to the Latest Practicable Date, we complied with all material aspects of these requirements and were not subject to any material administrative fines or penalties.

To date, we have not experienced any labor strikes or other material labor disputes that have affected our operations. None of our employees are represented by a union or collective bargaining agreements. We believe that we have a good relationship with our employees.

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LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may become involved in legal proceedings in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

We are devoted to establishing risk management and internal control systems that we consider to be appropriate to manage risks in our business operations, and we are dedicated to monitoring these systems for effectiveness and modifying them as necessary as our business grows to maintain effectiveness.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted and will adopt, among other things, the following additional risk management measures:

- we have established an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members, all of whom are independent non-executive Directors, namely Mr. Rusheng YANG, Mr. Xudong ZHANG and Mr. David Xianglin LI. Mr. Yang serves as chairperson of the committee. See “Directors and Senior Management—Corporate Governance—Audit Committee” for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee;
- we will adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to conflict of interest management, connected transactions and information disclosure;
- we have adopted anti-corruption and anti-bribery policies governing the interaction of employees with third parties; and
- we will continue to organize training sessions for our Directors and senior management with respect to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

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We have only engaged in limited foreign exchange hedging activities to date, in connection with our obligations under our syndicated loan.

In addition, we have appointed Somerley Capital Limited as our Compliance Adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to Directors' duties and corporate governance matters.

We have designed and adopted strict internal control policies to ensure the compliance of our business operations with the relevant rules and regulations. Our legal, finance and other departments work closely with our business units and functional departments to (i) perform risk assessments and give advice on risk management strategies; (ii) improve business processes efficiency and monitor internal control effectiveness; and (iii) establish authorization and approval protocols.

In accordance with our internal procedures, our legal and finance departments review due diligence materials and contracts of suppliers and customers, and works with relevant business units to obtain and maintain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines. We continually review the implementation of our internal control policies and measures to ensure our implementation are effective and sufficient.

Our Directors are of the view that we have adequate and effective internal control procedures.

MATERIAL REGULATIONS RELEVANT TO OUR BUSINESS

Regulations Relating to Financing Guarantee Companies

The Tentative Measures for the Administration of Financing Guarantee Companies (《融資性擔保公司管理暫行辦法》), promulgated on March 8, 2010, stipulate the registered capital, business scope, operating rules, risk control and supervision of financing guarantee companies, and also require that (i) the outstanding balance of financing guarantee liabilities of a financing guarantee company shall not exceed 10 times of that company's net assets, though the upper limit can be raised to 15 times for a financing guarantee company that mainly provides services to small and micro enterprises, the agriculture sector, rural villages and farmers, (ii) the balance amount of outstanding guarantee liabilities of a financing guarantee company for a single guaranteed party shall not exceed 10% of that company's net assets, and (iii) the balance amount of outstanding guarantee liabilities of a financing guarantee company for a single guaranteed party and its affiliated parties shall not exceed 15% of that company's net assets. The State Council released the Regulation on Financing Guarantee Companies (《融資擔保公司監督管理條例》), effective October 1, 2017, to further clarify various regulatory indicators.

The Notice on Issuing Four Supporting Systems for the Regulations on the Supervision and Administration of Financing Guarantee Companies (《關於印發〈融資擔保公司監督管理條例〉四項配套制度的通知》) was promulgated on April 2, 2018 and amended on June 21, 2021, which includes the Administrative Measures on Financing Guarantee Business Permits (《融資擔保業務經營許可證管

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理辦法》), the Measures on the Measurement of the Balance of Financing Guarantee Liability (《融資擔保責任餘額計量辦法》), the Administrative Measures on the Asset Proportions of Financing Guarantee Companies (《融資擔保公司資產比例管理辦法》) and the Guidelines for Business Cooperation between Banking Financial Institutions and Financing Guarantee Companies (《銀行業金融機構與融資擔保公司業務合作指引》). The above measures provide refined regulatory rules regarding the operations of the financing guarantee companies. Among other things, the sum of the Level I and Level II financial assets of a financing guarantee company is required to be no less than 70% of such financing guarantee company's total assets less qualified receivables. Furthermore, banks and guarantee companies may separately accept clients' applications and recommend clients to each other.

On October 9, 2019, the Notice on the Promulgation of Supplementary Provisions on the Supervision and Administration of Financing Guarantee Companies (《關於印發融資擔保公司監督管理補充規定的通知》) was promulgated and was amended on June 21, 2021. This notice requires that all local regulatory authorities shall conduct a comprehensive investigation to supervise if the entities engaging in financing guarantee businesses have been licensed or not.

See “Regulatory Overview—Regulations Relating to Retail Credit Enablement—Regulations on Financing Guarantee Companies” for more information.

During the Track Record Period and up to the Latest Practicable Date, we provide guarantee services through our licensed financing guarantee subsidiaries. Historically, the regulators have given us verbal and written guidance on our business practices, and we have modified our business operations based on such guidance. In certain months during the Track Record Period, the sum of Level I assets and Level II assets of Ping An Puhui Financing Guarantee Co., Ltd. was less than 70% of the total assets less qualified receivables, which was not in accordance with the requirement under the Administrative Measures on the Asset Proportions of Financing Guarantee Companies (《融資擔保公司資產比例管理辦法》). We have optimized asset structure in order to meet the aforementioned asset proportion requirement. We had completed the rectification as of June 30, 2022. The rectification results had also been confirmed by independent auditor engaged by relevant regulatory authorities. Since then, our financing guarantee subsidiary has maintained this asset proportion in strict accordance with the measures up to the Latest Practicable Date. The proportion for Ping An Puhui Financing Guarantee Co., Ltd. was 73.7% as of December 31, 2022.

Considering that: (i) we had not been subject to any administrative fines or penalties during the Track Record Period and up to the Latest Practicable Date due to such past practice; (ii) as of the Latest Practicable Date, we had rectified such non-compliance in order to comply with the requirements regarding financing guarantee companies, the Directors are of the view that the historical behavior would not have a material adverse effect on our business.

Circular 141

The Notice on Regulating and Cleaning up the Cash Loan Business (《關於規範整頓「現金貸」業務的通知》), or Circular 141, introduces the regulation guidance on cash loan businesses, including online

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micro-lending companies, peer-to-peer lending platforms and banking financial institutions. According to Circular 141, activities relating to offerings of cash loans are subject to regulatory inspections and rectifications to prohibit excessive lending and repeated grant of credits to individual borrowers, collection of abnormally high interest rates, and violations against privacy protection. Circular 141 provides further requirements regarding banking financial institution's participation in cash loan businesses, including the qualifications of the third party institutions cooperating with banking financial institutions, each party's responsibilities in the cooperation and the fee charging arrangement. Circular 141 also provides that institutions or third-party agencies shall not conduct loan collection by means of violence, intimidation, insult, defamation, harassment or other illegal methods. In case of violation, the relevant authorities, depending on the severity of the circumstances, may suspend such entity's business, order rectification, reprimand such entity, reject its filing procedures, or terminate its business qualification. In addition, the relevant authority may order any website or platform operator to suspend its business, if such website or platform operator helped the entity to conduct business in violation of laws or regulations

See "Regulatory Overview—Regulations Relating to Retail Credit Enablement—Regulations on Loans" for more information.

We have adopted a set of mechanisms and procedures, such as recording and monitoring contact made by collection personnel with borrowers and regularly evaluating agency partners based on their performance, service quality and compliance with laws, to ensure our in-house staff and third-party collection agencies' collection efforts comply with the relevant laws and regulations in the PRC.

Further, in response to the requirement under Circular 141 that unlicensed third-party institution is prohibited from collecting interest or fees from borrowers, we have gradually adjusted to charge fees through our licensed financing guarantee subsidiaries since early 2018. As advised by our PRC Legal Adviser, it does not contradict with the relevant requirements under Circular 141 that we charge individual borrowers fees through our financing guarantee subsidiary based on the following: (i) the above requirement only prohibits any unlicensed third-party institution from collecting interests or fees from borrowers and does not apply to licensed guarantee institutions; and (ii) according to the Administrative Regulations on Supervision of Financing Guarantee Companies (《融資擔保公司監督管理條例》), a qualified financing guarantee company is allowed to charge borrowers guarantee fees and other fees for the services provided to borrowers in relation to guarantee business.

Our current fee collection arrangement is also substantiated by other regulation policies. For instance, the Interim Measures for the Administration of Online Loans by Commercial Banks (《商業銀行互聯網貸款管理暫行辦法》) provided that a commercial bank shall clearly require its partners not to charge any interest or fees from the borrower in any form, unless such partner is an insurance company or an institution with guarantee license.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines, administrative penalties, or other sanctions by any relevant regulatory authorities in relation to violation of Circular 141. As advised by our PRC Legal Adviser, our Directors are of the view that we are in compliance with Circular 141 in all material aspects.

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Internet Loan Business

On July 12, 2020, the Interim Measures for the Administration of Online Loans by Commercial Banks (《商業銀行互聯網貸款管理暫行辦法》) came into effect. While they apply to commercial banks and by analogy to consumer finance companies and auto finance companies directly, they also require them to strengthen loan cooperation management, which would affect the institutions cooperating with them to develop internet loan businesses, and their existing business models. Pursuant to these interim measures, commercial banks shall evaluate their cooperation agencies and implement list management. Commercial banks shall not accept direct and disguised credit enhancement services from unqualified cooperation agencies. The interim measures also provide that, except for cooperating institutions that jointly provide loans, commercial banks shall not entrust the cooperating institutions to perform key operations, such as loan issuance, loan principal and interest recovery, and stopping of loan payment. Pursuant to the interim measures, commercial banks shall independently carry out risk assessment and credit approval for the loans they fund, and take primary responsibility for post-loan management. Commercial banks shall not entrust third-party institutions with records of violent collection or other illegal records to collect loans. The China Banking and Insurance Regulatory Commission and its local branches shall evaluate the reports and relevant materials submitted by commercial banks, and key assessment factors include independent control of credit approval procedures, contract signing and other core risk management procedures of commercial banks.

On February 19, 2021, the China Banking and Insurance Regulatory Commission (the “CBIRC”) further issued the Notice of Further Regulating Online Loan Business of Commercial Banks (《關於進一步規範商業銀行互聯網貸款業務的通知》), also known as Circular 24, supplementary to the Interim Measures for the Administration of Online Loans by Commercial Banks. Circular 24 reiterates that the commercial banks shall independently carry out the risk management of online loans and are forbidden from outsourcing the key procedures of loan management. In addition, the Circular 24 provides that, when a commercial bank and its joint lending partner jointly contribute funds to issue online loans, the funding contribution percentage of its joint lending partner shall not be less than 30%; a bank’s proprietary loan balance under the joint lending partnership with a single partner should be no higher than 25% of its net tier-1 capital, and its proprietary loan balance under the joint lending partnership with all partners should not exceed 50% of its total outstanding loans. Moreover, regional commercial banks are prohibited from engaging in an online loan business outside the region of their registration (“cross-regional operations”). In addition, under Circular 24, the CBIRC and its local offices shall, under the principle of “one policy for one bank and smooth transition”, urge commercial banks to rectify their non-compliant online loan business. The CBIRC and its local offices may, at their discretion, impose more stringent regulatory requirements for the funding contribution percentage of joint lending partners, concentration level of joint-lending partners and total amount limit of online loans under the joint-lending model on the basis of the provisions captioned beforehand under Circular 24. Finally, it is also provided that Circular 24 will also apply by analogy to branches of foreign banks, trusts, consumer finance companies and auto finance companies.

Circular 24 clarified that the requirements on the funding contribution percentage of a joint lending partner and the restraints for regional commercial banks from cross-regional operations were enacted from January 1, 2022. Any legacy businesses shall be settled naturally.

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As advised by our PRC Legal Adviser, the requirement regarding the funding contribution percentage, as well as other requirements with regards to joint lending business under Circular 24 is not applicable to our business because we do not operate under a joint lending model at the time when Circular 24 was published. Specifically, (i) under our core retail credit and enablement model, our funding partners provided 100% funding to the loans we enable; (ii) as for the consumer finance loans, we provided 100% funding.

Our business was affected by the limitation on cross-regional operations of regional banks under Circular 24. We have timely coordinated with our bank partners and upgraded the systems to ensure compliance with such requirement before December 31, 2021.

During the Track Record Period and up to the Latest Practicable Date, we had not received any further instructions or guidance from the CBIRC or its local counterparts regarding the provisions of Circular 24. Based on the above and as advised by our PRC Legal Adviser, our Directors are of the view that we are in compliance with the applicable requirements under Circular 24 in all material aspects.

On July 12, 2022, the China Banking and Insurance Regulatory Commission issued the Notice of Strengthening the Administration of the Internet Loan Business of Commercial Banks and Improving the Quality and Efficiency of Financial Services (《關於加強商業銀行互聯網貸款業務管理提升金融服務質效的通知》), which further requires commercial banks to strengthen their risk control and regulate the cooperation with third-party institutions in online loan business and provides a transitional period for the existing online loan business of commercial banks until June 30, 2023. These rules also apply to branches of foreign banks, trusts, consumer finance companies and auto finance companies.

See “Regulatory Overview—Regulations Relating to Retail Credit Enablement—Regulations on Loans” for more information.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines, administrative penalties, or other sanctions by any relevant regulatory authorities in relation to violation of internet loan business related regulations. As advised by our PRC Legal Adviser, our Directors are of the view that we are in compliance with the existing PRC laws and regulations on internet loan business in all material aspects.

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You should read the following discussion and analysis in conjunction with our accountant's report included in Appendix I to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountant's Report, and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including "Risk Factors" and "Business."

OVERVIEW

We are a leading financial services enabler for small business owners ("SBOs") in China. We offer financing products designed principally to address the needs of SBOs. In doing so, we have established relationships with over 550 financial institutions in China as our funding, credit enhancement and product partners, many of which have worked with us for over three years. Through our offline-to-online model, we have served a total of over 6.6 million SBOs in China since our founding, as of December 31, 2022. Our total balance of retail credit enabled reached RMB576.5 billion as of the same date.

Under our core retail credit and enablement model, the borrower is charged fees for the loan that include interest for the lender, guarantee or insurance fees for the guarantor or insurer and enablement service fees for the enabler. (Where the lender bears all the credit risk, there is no separate guarantee or insurance fee.) The aggregate of the fees charged to the borrower in proportion to the outstanding balance of the loan constitutes the borrower's effective APR. What we earn depends on how the loan is structured. When the lender is a trust that we consolidate, we earn the spread between the aggregate of the fees that are paid by the borrower (including interest, guarantee fees and enablement service fees) and the interest that is paid to the investors in the trust as net interest income using the effective interest rate method. When the lender is a trust that we do not consolidate or the lender is a bank, the lender earns the interest while we earn the enablement service fees as retail credit and enablement service fee income and (if we provide a guarantee) guarantee fees as guarantee income. In each case, our operating net profit would also consider various operating expenses as well as credit impairment losses, to the extent that they would be attributable to the operation of our core retail credit and enablement model.

In addition to our core retail credit and enablement model, we earn referral income from platform service for the referral service we provide to bank partners through Lujintong, other technology platform-based income for service fees generated from distribution of financial institutions' products, net interest

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income for loans made by our consumer finance subsidiary, and other income from account management service fees, penalty fees and other services fees.

Our total income grew from RMB52.0 billion in 2020 to RMB61.8 billion in 2021, and decreased to RMB58.1 billion (US\$8.4 billion) in 2022. Our profit before income tax expenses grew from RMB17.9 billion in 2020 to RMB23.4 billion in 2021, and decreased to RMB13.0 billion (US\$1.9 billion) in 2022. We made a net profit throughout the Track Record Period, with net profits that increased from RMB12.3 billion in 2020 to RMB16.7 billion in 2021, and decreased to RMB8.8 billion (US\$1.3 billion) in 2022. We had a net margin of 27.0% in 2021 and 15.1% in 2022.

BASIS OF PREPARATION

The historical financial information is presented using the carrying value of our business for all periods presented. Intercompany transactions, balances and unrealized gains or losses on transactions between group companies are eliminated on consolidation.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The Impact of Economic Conditions and Particularly Lockdowns and COVID-19 on Our Business

The demand for retail credit enablement in China is dependent upon overall economic conditions. General economic factors, including GDP growth, the interest rate environment and unemployment rates, may affect borrowers' willingness to seek loans and ability to repay them. The gradual slowing in the growth rate of the Chinese economy in recent years has created headwinds for our own growth. Individuals' levels of disposable income may affect their creditworthiness and potentially lead to changes in default rates. In addition, small business owners were particularly vulnerable to the effects of the temporary lockdowns that were imposed from time to time in different places in China to prevent the spread of COVID-19. Many small business owners cannot work remotely and rely on foot traffic and in-store purchases to generate sales.

Weakening economic conditions, combined with the impact of COVID-19, have weighed on borrowers' willingness to borrow and ability to repay. Our total volume of new loans decreased from RMB648.4 billion in 2021 to RMB495.4 billion in 2022. These factors have also led to an increase in defaults on loans, including loans we have enabled or made. A combination of the growth in the risk-bearing loan balance on our balance sheet, the growth in our off-balance sheet guarantee exposure from our financing guarantee business and the impact of the COVID-19 pandemic on the Chinese economy has caused us to incur more indemnity loss and book more provisions anticipating deteriorating asset quality of the loan portfolios.

In early 2022, a resurgence of COVID-19 led to a series of regional lock-downs across China and suspension of offline business activities. To comply with government measures, we have adjusted our collection operations in Shanghai and certain other cities affected by the pandemic in China to be mainly focused on online activities, which adversely impacted the effectiveness of our collections services. As our core small business owner segment, which makes up the majority of our new loans enabled during 2022,

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has been among the earliest and most significantly impacted by the deteriorating macro environment, we witnessed worsening delinquency rates as well as rising credit impairment losses, weighing on our profitability during 2022.

While credit quality deterioration took place across the board in China during 2022, we witnessed growing differences in economic resilience in various regions, which led to significant divergence in credit performance by region. In response, we have been recalibrating our strategies to focus on higher quality borrowers in more economically resilient regions, optimizing our sales channel structure and productivity, revising our products and pricing, and enhancing our risk management capabilities to protect our business health and resiliency during economic downturns.

China recently began to modify its longstanding zero-COVID policy. There is still uncertainty as to the future impact of the virus, especially in light of this change in policy. Small business owners will need time to recover from the economic effects of the pandemic even after business conditions begin to return to normal.

The Effectiveness of Our Credit Risk and Capital Management

The end-to-end performance of our risk management system is crucial to the success of our business, in particular as we bear a higher proportion of credit risk on the loans we enable. Risk management empowers us to identify creditworthy customers who have been underserved by traditional financial institutions, offer differentiated products to borrowers with different risks profiles, and improve our overall loan performance.

Delinquency rate is a backward looking indicator that reflects asset quality trend during a period in the past. As of December 31, 2020, 2021 and 2022, our DPD 30+ delinquency rate was 2.0%, 2.2% and 4.6%, respectively, and our DPD 90+ delinquency rate was 1.2%, 1.2% and 2.6%, respectively. Flow rate is a forward-looking indicator that estimates the percentage of current loans that will become non-performing at the end of three months. Our flow rate for general unsecured loans was around 0.5% or 0.6% for most of 2020 and 2021 before rising to around 1.2% as of December 31, 2022. Similarly, our flow rate for secured loans was around 0.1% or 0.2% for most of 2020 and 2021 before rising to around 0.7% by December 31, 2022. See “Business—How We Enable Our Institutional Partners—Credit Risk Management” for more explanation.

To properly control our risk exposure, we have prudently managed our guarantee leverage ratio following “Regulations on the Supervision and Administration of Financing Guarantee Companies” (《融資擔保公司監督管理條例》). The regulations set forth that the outstanding guarantee liabilities of a financing guarantee company shall not exceed ten times its net assets, though the upper limit can be raised to 15 times for a financing guarantee company that mainly provides services to small and micro enterprises, the agriculture sector, rural villages and farmers. The guarantee leverage ratio of Ping An Puhui Financing Guarantee Co., Ltd, our subsidiary which provides financing guarantee services, was 1.8x, 1.8x and 2.0x as of December 31, 2020, 2021 and 2022, respectively. We believe we have ample room to further grow our guarantee business by taking on more risks but we will prudently keep the guarantee leverage ratio at an appropriate level.

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The Evolution of Our Business Model

Anticipating the trend in regulatory guidance, we have been increasing the percentage of the risk that we bear on loans that we enable. The percentage of our total outstanding loans with credit risk exposure for our company increased from 6.3% in 2020 to 16.6% in 2021 and further to 23.5% in 2022, including both loans we guarantee through our financing guarantee subsidiary and loans we make through our consumer finance subsidiary.

We provide guarantee services through our financing guarantee subsidiary, which has licensed branches in 29 provinces. For loans funded by third parties where the lender requires credit enhancement, we guarantee a portion of the risk on each new loan transaction along with our credit enhancement providers. This also makes it possible for us to share data with our institutional partners in a manner that is fully compliant with regulatory requirements. Going forward, while we intend to increase the percentage of outstanding loans with credit risk exposure for our company to at least 30%, when and how much credit risk we take on and whether third-party credit enhancement is utilized depend on a dynamic mix of commercial factors, including the pricing of credit enhancement and the willingness of our funding partners to bear risk, as well as regulatory guidance. Our loan enablement can be done either with or without third-party credit enhancement, and if the cost of third-party credit enhancement is not commercially attractive, the proportion of loans for which we have credit risk could greatly exceed 30%, depending on the balance of risk and reward. Our financing guarantee subsidiary is well capitalized and has ample room to support an increasing level of risk exposure.

Our increased credit exposure represents an important driver for our widening credit impairment losses as we recognized more loan impairment provisions against increasing risk exposure and we recognized more indemnity losses when we fulfilled our guarantee obligations to our funding partners for defaulted loans. Going forward, we expect the volatility of our credit impairment losses and indemnity losses to increase as we increase the volume of new loans we guarantee and as we experience fluctuations in delinquency indicators as a result of deterioration or improvement in borrowers' repayment ability and macro-economic environment changes. Furthermore, since we assess loan impairment provisions based on expected credit losses on a forward-looking basis, a number of significant assumptions or parameters are also required in applying the accounting requirements for measuring them, and our financial performance may experience more volatility depending on how actual borrower behavior deviates from our expectation.

In addition, the evolution of our business model has led to changes in the structure of our total income. The income contribution from guarantee income increased from 1.2% in 2020 to 7.1% in 2021 and 12.7% in 2022. Meanwhile, the growth in our consumer finance business together with our increased use of consolidated third-party trust plans has led to growing income contribution from net interest income, which we recognize on loans funded by these sources. The income contribution from net interest income increased from 14.9% in 2020 to 22.9% in 2021 and 32.7% in 2022.

Acquisition of High Quality Customers Through Multiple Channels

Our SBO financial services business primarily targets small business owners in China who have access to commercial bank credit, automobile and real estate property and financial assets. We have a robust

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distribution capability across multiple channels, including full-time direct sales employees, active third-party channel partners, and employees engaged in targeted online and telemarketing campaigns. In addition, we have an offline direct relationship management team that services third-party agents across China for Lujintong.

We strategically adjust our channel mix based on channel costs and effectiveness to enhance our ability to address the needs of the high quality borrowers we target. In light of repeated COVID-19 outbreaks leading to prolonged lockdowns across China and a further weakening in the macroeconomic environment in 2022, we have been prioritizing asset quality over asset growth by tightening up customer selection standards and focusing new customer acquisition in more economically resilient regions. We have also been revising our salesforce to concentrate on a smaller number of higher-quality borrowers and shifting to utilize more of our direct sales force channel for better quality control. The productivity of our direct sales force has been stable, as evidenced by the volume of new loans sourced per employee per month, which was RMB402 thousand in 2020, RMB427 thousand in 2021 and RMB363 thousand (US\$52 thousand) in 2022. We believe our ability to properly and efficiently mobilize our sales channels to acquire high quality borrowers is essential to strengthen the resilience of our business through economic cycles and sustain our long-term growth and profitability.

The Mix, Pricing and Effective Tenor of Products and Services

We offer a full suite of products to meet different borrower demands, including general unsecured loans, secured loans and consumer finance loans, with a variety of tenors and sizes. We earn a mix of technology platform-based income, net interest income, guarantee income and penalty income, depending on the funding and credit enhancement arrangements. As our retail credit enablement service fees are comprised of loan enablement service fees and post-origination service fees, the relatively large ticket sizes and long tenors of the general unsecured loans and secured loans we enable give us a larger and more stable income stream with visibility beyond the current period.

Our borrowers' repayment behaviors and early repayment options affect the effective tenors of the loans we enable. Borrowers' early repayments of loans reduce the number of months that our retail credit and enablement service fees or interest income can be recognized and thus affect the total amount of our fees and interest income in absolute terms. Borrowers' decisions whether to make early repayments can be affected by a number of factors such as early repayment fees, interest rate trends and the availability of other financing options in the market. As the fees for our products and services vary, our income and profitability are affected by the amount and mix of our products and services.

Collaboration with Diversified Financial Institution Partners

Maintaining a healthy collaborative relationship with a diversified set of financial institution partners is critical to our business model. Many funding partners have worked with us for over three years. In 2022, 56.4% of the new loans we enabled were funded directly by a total of 75 banks, and another 31.7% by trust plans representing an even larger number of diverse partners. In 2022, none of our funding sources accounted for more than 10% of the funding for our outstanding loans. Historically, our ability to enable loans has not been constrained by our funding supply, but our funding supply in the future could be

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constrained by the commercial dynamics discussed in “—The Evolution of Our Business Model.” In addition, we collaborate with seven third-party credit insurance companies, including primarily Ping An P&C, to extend credit enhancement for loans whose borrowers meet their desired risk profile.

In addition to working directly with financial institution partners, we also rolled out a new distribution channel, Lujintong, to improve our institutional partners’ borrower acquisition efficiency and our ability to target high quality borrowers. Lujintong is designed to help banks with strong risk management capabilities acquire borrowers directly through dispersed third-party agents nation-wide. Under this model, we do not participate in credit risk assessment and sharing. During 2022, Lujintong provided online services to more than 10,000 third-party agents in their efforts to enable loans, primarily through Ping An Bank.

The foundation of our loan enablement proposition is a dual KYC-plus-KYB approach. KYC assesses the SBOs’ creditworthiness as individuals, while KYB assesses the cash flow sustainability of their businesses. Sourcing borrowers with low credit risk provides value to both third-party funding partners and third-party credit enhancement providers and strengthens our relationships with them. As we continue to source high quality borrowers who require lower APRs, our collaboration with quality third-party partners who understand this segment of the market improves our ability to provide reasonably priced funding and credit enhancement solutions to our borrowers. Our mature collection framework and data collected from these efforts also represent an integral part of our value propositions, enhancing our relationship with our funding partners and credit enhancement providers.

Operational Efficiency

Our operational efficiency and cost structure have a large impact on the results of our business. Our variable costs are primarily comprised of sales and marketing expenses and operation and servicing expenses. Our sales and marketing expenses primarily relate to borrower acquisition expenses and, to a much lesser extent, investor acquisition and retention expenses. Our fixed costs, which are primarily comprised of general and administrative expenses and technology and analytics expenses, benefit significantly from economies of scale. In particular, the application of advanced technology in our credit assessment and loan collection process scales up our capabilities without a proportionate increase in operational expenses. Our fixed costs as a percentage of our total income declined from 9.2% in 2020 to 9.1% in 2021 and 8.1% in 2022.

Regulatory Environment in China

The regulatory environment for retail credit enablement in China is developing and evolving, creating both challenges and opportunities that could affect our financial performance. The Chinese government has been putting the pieces in place for a more mature regulatory framework covering all aspects of our business. New regulations may result in both opportunities and challenges for us by weeding out weaker players, triggering consolidation within the industry and increasing compliance risk. We have a proven record of navigating complex regulatory changes over the last several years, as we have comprehensively overhauled our product offerings and business models, and we will continue to make efforts to ensure that we are in compliance with the existing and new laws, regulations and governmental policies relating to our industry.

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ON- AND OFF-BALANCE SHEET TREATMENT OF LOANS AND RISK EXPOSURE

We have established diversified funding sources, including banks, trust plans and our own licensed microloan and consumer finance subsidiaries, to ensure that we have scalable and stable funding for the loans we enable. We help banks to source prospective borrowers and the banks extend loans to select individuals among those prospective borrowers using their own funds. We also work with trust companies to set up trust plans with loans that we enable as the underlying assets. We earn technology platform-based income for the loan enablement and post-origination services we provide to our funding partners and guarantee income for the credit enhancement services we provide. Third-party funding sources supplied a large majority of the funding for our outstanding loans during the Track Record Period, with the remainder funded by us through our licensed microloan (up to 2020) and consumer finance (since 2020) subsidiaries. Those loans that are funded by us are recorded on our balance sheet at net carrying amount, whether or not third parties provide credit enhancement on those loans.

Due to the needs of investors in certain trust plans with loans we enabled as the underlying assets, we hold subordinated tranches of the trust plans or put in guarantee deposits. We consolidate the loans under this trust funding model on our balance sheet. In addition, we consolidate trust plans under other circumstances based on control and variable return assessment in accordance with IFRS 10. The arrangement of consolidated and unconsolidated trust plans is quite similar while the variable return could be different, depending on a dynamic mix of commercial factors. During the Track Record Period, we have gradually lowered the APR on loans we enable. With the decrease in investor's return as a result of decrease in market interest rate and the increase in the proportion of loans on which we bear credit risk, the magnitude of variable return attributable to funding partners and/or credit enhancement providers declines accordingly, while the magnitude of variable return earned by us keeps relatively stable. As a result, more loans enabled with trust plans were consolidated since we were entitled to higher proportion of the variable return. As of December 31, 2021 and 2022, we consolidated 90.1% and 95.6%, respectively, of the outstanding balance of loans we enabled with trusts as the funding source. All cash flows directly attributable to these on-balance sheet loans, including the contractual interest income, service fees, guarantee fees, and borrower acquisition expenses, are recorded as net interest income using the effective interest method in accordance with IFRS 9. As a result, the net carrying value of the loans we enabled plus the interest receivables on those loans amounted to RMB215.0 billion as of December 31, 2021 and RMB211.4 billion (US\$30.4 billion) as of December 31, 2022, which was recorded as loans to customers on our balance sheet.

As of December 31, 2021 and 2022, we had credit risk exposure to 16.6% and 23.5%, respectively, of the outstanding balance of the loans we enabled. The credit risk exposure between our third-party external partners and ourselves is on a pari passu basis, meaning that we share losses in proportion to our respective arrangements. The parties that provide credit enhancement will indemnify the lender when the loans that we enabled are 80 days past due. We need to record losses only to the extent of our exposed credit risk based on our guarantee products. For those loans that are less than 90 days past due, we will apply our estimation on the probability of default and loss given default under the expected credit loss impairment model to reach an amount of expected impairment losses which is charged to our income statement under impairment losses. If the loans are 90 days past due, we record our losses based on our best estimate of recoverable amount.

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The form of on-balance sheet or off-balance sheet accounting treatment that resulted from IFRS 10 does not affect the level of credit exposure that we face. The credit enhancement contractual relationships for all the loans we enable, regardless of whether the loans are on-balance sheet as a result of accounting treatment or off-balance sheet by the nature of their third party funding, govern the proportion of credit risk that we bear and the level of loan guarantee liability provisioned in our balance sheet. We have different credit enhancement arrangements with different proportions of risk sharing when we enable loans. Our credit risk exposure is determined by the proportion of credit risk sharing between credit enhancement providers upfront for each loans as contractually obligated under each loan contract.

CRITICAL ACCOUNTING POLICIES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Our critical accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in note 3 to the Accountant's Report in Appendix I to this document.

KEY OPERATING METRICS

We regularly review a number of operating metrics to evaluate our business, measure our performance, identify trends, formulate financial projections and make strategic decisions.

	As of and For the Year Ended December 31,		
	2020	2021	2022
Number of active borrowers (thousands)	4,382	4,906	4,805
Number of active funding partners	58	66	81
	<i>(RMB in billions except where otherwise indicated)</i>		
Outstanding balance of loans enabled	545.1	661.0	576.5
General unsecured loans	447.8	520.1	423.8
Secured loans	93.7	129.3	123.1
Consumer finance loans	3.6	11.6	29.7
Percentage with risk exposure for our company	6.3%	16.6%	23.5%
Off-balance sheet	426.7	446.3	360.4
Without credit risk exposure	405.7	381.5	291.9
With credit risk exposure	21.0	64.7	68.5

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	As of and For the Year Ended December 31,		
	2020	2021	2022
On-balance sheet	118.5	214.8	216.1
Without credit risk exposure	105.3	169.6	149.2
With credit risk exposure	13.2	45.1	66.9
Volume of new loans enabled	565.0	648.4	495.4
Off-balance sheet	423.1	414.2	279.5
Without credit risk exposure	399.8	341.7	219.8
With credit risk exposure	23.2	72.5	59.7
On-balance sheet	141.9	234.2	215.8
Without credit risk exposure	127.2	175.0	125.3
With credit risk exposure	14.7	59.2	90.6
Financing guarantee subsidiary leverage ratio (x) ⁽¹⁾	1.8x	1.8x	2.0x
Net assets of financing guarantee subsidiary	13.4	47.4	47.9
Net assets of Lufax Holding (consolidated)	83.2	94.6	94.8
30 day+ delinquency rate ⁽²⁾ (%)	2.0%	2.2%	4.6%
90 day+ delinquency rate ⁽²⁾ (%)	1.2%	1.2%	2.6%
Cost-to-income ratio ⁽³⁾ (%)	55.0%	48.8%	46.3%
Credit impairment losses	3.0	6.6	16.6

Notes:

- (1) Calculated in accordance with “Supervision and Administration of Financing Guarantee Companies” (《融資擔保公司監督管理條例》). The leverage ratio of the financing guarantee subsidiary is calculated as the outstanding guarantee liabilities of the financing guarantee company divided by its net assets.
- (2) Excluding consumer finance business.
- (3) Calculated as the sum of sales and marketing expenses, general and administrative expenses, operation and servicing expenses, and technology and analytics expenses divided by total income.

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the years indicated, both in absolute amounts and as percentages of our total income. This information should be read together with our consolidated financial statements and related notes included in Appendix I of this listing document. The operating results in any year are not necessarily indicative of the results that may be expected for any future year.

	For the Year Ended December 31,			
	2020	2021	2022	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(US\$)</i>
	<i>(in millions)</i>			
Technology platform-based income				
Retail credit and enablement service fees				
Loan enablement service fees	7,142	5,676	3,446	496
Post-origination service fees	32,315	30,411	24,028	3,455
Referral income from platform service	131	706	1,147	165
Retail credit and enablement service fees	39,588	36,793	28,621	4,115
Other technology platform-based income	1,634	1,501	597	86

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	For the Year Ended December 31,			
	2020	2021	2022	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(US\$)</i>
	<i>(in millions)</i>			
Total technology platform-based income	41,222	38,294	29,218	4,201
Net interest income	7,750	14,174	18,981	2,729
Guarantee income	602	4,370	7,373	1,060
Other income	1,517	3,875	1,238	178
Investment income	940	1,152	1,306	188
Share of net profit/(loss) of investments accounted for using the equity method	15	(31)	0	—
Total income	52,046	61,835	58,116	8,357
Sales and marketing expenses:				
Borrower acquisition expenses	(11,506)	(10,120)	(7,865)	(1,131)
Investor acquisition and retention expenses	(820)	(677)	(301)	(43)
General sales and marketing expenses	(5,403)	(6,637)	(6,654)	(957)
Referral expenses from platform service	(84)	(559)	(937)	(135)
Sales and marketing expenses	(17,814)	(17,993)	(15,757)	(2,266)
General and administrative expenses	(2,976)	(3,559)	(2,830)	(407)
Operation and servicing expenses	(6,031)	(6,558)	(6,430)	(925)
Technology and analytics expenses	(1,792)	(2,084)	(1,872)	(269)
Credit impairment losses	(3,035)	(6,644)	(16,550)	(2,380)
Asset impairment losses	(7)	(1,101)	(427)	(61)
Finance costs	(2,866)	(996)	(1,239)	(178)
Other gains/(losses) – net	384	499	3	0
Total expenses	(34,136)	(38,435)	(45,102)	(6,485)
Profit before income tax expenses	17,910	23,400	13,013	1,871
Less: Income tax expenses	(5,634)	(6,691)	(4,238)	(609)
Net profit for the year	12,276	16,709	8,775	1,262
Net profit attributable to:				
Owners of our company	12,354	16,804	8,699	1,251
Non-controlling interests	(78)	(95)	76	11
	12,276	16,709	8,775	1,262

Income

The proportion of our total income that constitutes technology platform-based income has declined from 79.2% in 2020 to 50.3% in 2022 as our net interest income has increased from 14.9% to 32.7% and our guarantee income has increased from 1.2% to 12.7% over the same period of time. This evolution in the mix of our total income is driven primarily by changes in our business model as we have gradually taken on more credit risk.

Our on-balance sheet loans include loans that we fund ourselves directly through our licensed microloan and consumer finance subsidiaries and loans that are funded by consolidated trust plans and generate interest income recognized under IFRS 9. Our off-balance sheet loans generate loan enablement service fees and post-origination service fees recognized under IFRS 15 and guarantee income to the extent that we supply part of the credit enhancement service. Although the underlying business arrangements might be similar, the application of IFRS 15 or IFRS 9 can have an impact on the timing and amount of fee

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or interest income recognition. Early repayment of loans by borrowers will reduce the number of months that the fees or interest income are being recognized and thus affect the total amount of fees or interest income in absolute terms.

The following table sets forth the breakdown of our total income, both in absolute amounts and as percentages of our total income, for the years indicated:

	For the Year Ended December 31,						
	2020		2021		2022		
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(US\$)</i>	<i>(%)</i>
	<i>(in millions, except percentages)</i>						
Technology platform–based income	41,222	79.2	38,294	61.9	29,218	4,201	50.3
Net interest income	7,750	14.9	14,174	22.9	18,981	2,729	32.7
Guarantee income	602	1.2	4,370	7.1	7,373	1,060	12.7
Other income	1,517	2.9	3,875	6.3	1,238	178	2.1
Investment income	940	1.8	1,152	1.9	1,306	188	2.2
Share of net profit/(loss) of investments accounted for using the equity method	15	0.0	(31)	(0.1)	0	—	0.0
Total income	52,046	100.0	61,835	100.0	58,116	8,357	100.0

Technology platform–based income

Technology platform–based income includes retail credit and enablement service fees and other technology platform–based income. Retail credit and enablement service fees include loan enablement services and post origination services, which are considered to be two distinctive services under one product provided to our borrowers and funding partners, as well as referral income from platform service, which includes income from the referral service we provide to bank partners through Lujintong. Loan enablement services include credit assessment of the borrower, enabling loans from the funding partner to the borrower and providing technical assistance to the borrower and the funding partner. Post-origination services include repayment reminders, payment processing, and collection services. Lujintong is designed to help banks with strong risk capabilities acquire borrowers directly through dispersed third-party agents nation-wide. Under this model, we earn referral fees based on transaction volume and do not participate in credit risk assessment and sharing. As a result, we do not count loans enabled through Lujintong as part of our volume of new loans enabled or our total outstanding loans. Other technology platform–based income includes service fees generated from distribution of financial institutions’ products including asset management plans, bank products, mutual funds, trust plans and other products.

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The following table sets forth the breakdown of our technology platform-based income for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>
	<i>(in millions, except percentages)</i>					
Retail credit and enablement service fees						
Loan enablement service fees	7,142	17.3	5,676	14.8	3,446	11.8
Post-origination service fees	32,315	78.4	30,411	79.4	24,028	82.2
Referral income from platform services	131	0.3	706	1.8	1,147	3.9
Retail credit and enablement service fees	39,588	96.0	36,793	96.1	28,621	98.0
Other technology platform-based income	1,634	4.0	1,501	3.9	597	2.0
Total technology platform-based income	41,222	100.0	38,294	100.0	29,218	100.0

We do not provide loan enablement services or post-origination services on a standalone basis. Loan enablement service fees and post-origination service fees are recognized upon completion of different performance obligations, and they include the service fees for both the off-balance sheet loans newly enabled during the current financial year and those had been enabled in previous years.

The following table sets forth the sum of the loan enablement service fees and post-origination service fees that is expected to arise from the remaining performance of long-term contracts for our financial enablement services as of December 31, 2022. Upon the fulfillment of the obligations under service contracts, the fees are expected to be recognized in the respective periods in the amounts as described in the table below given the best estimated loan repayment time. The actual amount that we recognize is subject to the actual repayment behavior of borrowers, which may differ from the estimation in our model. If early repayment increases, the total service fee expected to be paid by the borrowers decreases, thus decreasing the income we recognize for each of the loans enabled, and the reverse is true if early repayment decreases. Although the estimate of loan repayment time represents our best estimate based on the information that is currently available to us, there is no assurance that the actual loan repayment time will not deviate from our best estimate, which in turn would affect the income in the respective expected periods of recognition.

Expected period of recognition	Amount	Percentage
	<i>(RMB in millions)</i>	<i>(%)</i>
2023	11,330	59.9
2024	5,644	29.8
2025	1,279	6.8
2026	386	2.0
2027	272	1.4
Total	18,911	100.0

When predicting the repayment behavior of borrowers and effective tenor of loans, historical early repayment data is the key indicator of future trends. On a regular basis, we review the actual early

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repayments that have occurred and adjust the early repayment assumption to update our best estimate of the effective tenor for outstanding loans.

The table below sets forth the estimated effective tenor of loans that we do not consolidate on our balance sheet, after considering the actual early repayments that have occurred and expected future early repayments, as of December 31, 2020, 2021 and 2022.

	As of December 31,		
	2020	2021	2022
	<i>(months)</i>		
Estimated Effective Tenor for Off-Balance Sheet			
Loans			
General unsecured loans	19.18	19.37	19.75
Secured loans	12.64	13.44	14.62

The table below sets forth the impact of changes in estimated effective tenor on the sum of loan enablement service fees and post-origination service fees of RMB18,911 million expected as of December 31, 2022 to be recognized in the remaining period of the loans when the remaining performance obligations are satisfied.

	General unsecured loans	Secured loans	Total
		<i>(RMB millions)</i>	
Change in estimated effective tenor			
-1 month	793	113	907
+1 month	604	107	710

Net interest income

Net interest income consists of net interest income from consolidated trusts, microloans and consumer finance loans. Due to regulatory changes in December 2017, we no longer funded loans from our microloan subsidiaries on a large scale. In late 2018, we began to introduce a third-party funded trust plan model under which most though not all of the trust plans required consolidation under IFRS 10. Under IFRS 10, we consolidate those trust plans over which we have control and from which we receive variable returns which are affected by our control over these trust plans. Consequently, we recognize net interest income based on the cash flows directly attributable to loans funded by these consolidated trust plans using the effective interest rate method. Hence, borrower acquisition expenses from such third-party funded trust plans are recognized as offsetting net interest income under IFRS 9. However, we only bear limited credit risk even in the trusts that we consolidate. See “Business—How We Enable Our Institutional Partners—Our Funding Partners—Trusts.”

In June 2020, we also started to serve consumers under our licensed consumer finance subsidiary. As a result, the net carrying value of the loans we originated plus the interest receivables on those loans amounted are categorized as on-balance sheet outstanding loans and recorded as loans to customers on our balance sheet. See “—On- and Off-Balance Sheet Treatment of Loans and Risk Exposure.”

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The following table sets forth the breakdown of our net interest income for the years indicated.

	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>
<i>(in millions, except percentages)</i>						
Consolidated trust plans:						
Interest income	10,641	137.3	21,230	149.8	25,870	136.3
Interest expense	<u>(4,283)</u>	<u>(55.3)</u>	<u>(8,401)</u>	<u>(59.3)</u>	<u>(10,217)</u>	<u>(53.8)</u>
Net interest income from consolidated trust plans	6,358	82.0	12,829	90.5	15,653	82.5
Microloans and consumer finance:						
Interest income	1,396	18.0	1,535	10.8	4,024	21.2
Interest expense	<u>(3)</u>	<u>0.0</u>	<u>(190)</u>	<u>(1.3)</u>	<u>(695)</u>	<u>(3.7)</u>
Net interest income from microloans and consumer finance	<u>1,393</u>	<u>18.0</u>	<u>1,345</u>	<u>9.5</u>	<u>3,329</u>	<u>17.5</u>
Net interest income	<u>7,750</u>	<u>100.0</u>	<u>14,174</u>	<u>100.0</u>	<u>18,981</u>	<u>100.0</u>

Guarantee income

Whether under our bank-funding model or trust-funding model, our third-party credit enhancement providers provide the majority of the credit enhancement. We earn guarantee income as a return to our credit risk exposure to the extent that we provide credit enhancement service for loans we enable. We do not provide guarantees as a stand-alone service for loans that we did not enable. Guarantee income consists of the fees we charge to our borrowers for the guarantee services we provide on loan products. As we have increased the proportion of the loans we enable for which we provide credit enhancement, guarantee income has accounted an increasing though still relatively low proportion of our total income, from 1.2% in 2020 to 7.1% in 2021 and 12.7% in 2022.

Other income

Other income includes account management service fees, penalty fees and other services fees. Account management service fees represent service fees charged to credit enhancement providers for reminder services provided to them for loans enabled by us that are covered by their credit enhancement services. Penalty fees represent both late payment fees and early repayment fees paid by borrowers. Other income accounted for 2.9% of our total income in 2020, 6.3% of our total income in 2021 and 2.1% of our total income in 2022.

Investment income

Investment income primarily consists of interest income and realized and unrealized gains and losses on financial assets and financial investments, which mainly consist of asset management plans, mutual fund investments, trust plans, factoring products, structured deposits, bank wealth management products and debt investments. Investment income accounted for 1.8% of our total income in 2020, 1.9% of our total income in 2021 and 2.2% of our total income in 2022.

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Total Expenses

Our expenses include sales and marketing expenses, general and administrative expenses, operation and servicing expenses, technology and analytics expenses, and credit impairment costs, among others. The following table sets forth the breakdown of our expenses, both in absolute amounts and as percentages of our total income, for the years indicated:

	For the Year Ended December 31,						
	2020		2021		2022		
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(US\$)</i>	<i>(%)</i>
	<i>(in millions, except percentages)</i>						
Sales and marketing expenses	17,814	34.2	17,993	29.1	15,757	2,266	27.1
General and administrative expenses	2,976	5.7	3,559	5.8	2,830	407	4.9
Operation and servicing expenses	6,031	11.6	6,558	10.6	6,430	925	11.1
Technology and analytics expenses	1,792	3.4	2,084	3.4	1,872	269	3.2
Credit impairment losses	3,035	5.8	6,644	10.7	16,550	2,380	28.5
Asset impairment losses	7	0.0	1,101	1.8	427	61	0.7
Finance costs	2,866	5.5	996	1.6	1,239	178	2.1
Other (gains)/losses – net	(384)	(0.7)	(499)	(0.8)	(3)	(0)	(0.0)
Total expenses	34,136	65.6	38,435	62.2	45,102	6,485	77.6

Sales and marketing expenses

Sales and marketing expenses consist primarily of borrower acquisition expenses, investor acquisition and retention expenses, and general sales and marketing expenses. Sales and marketing expenses account for a large percentage of our total expenses, and we expect that this will continue to be the case going forward.

Our borrower acquisition expenses mainly represent the expenses we incur for off-balance sheet loan enablement as compensation to our sales employees and third-party channels. Borrower acquisition expenses are capitalized and amortized on a systematic basis consistent with revenue recognition. For our on-balance sheet loans, as part of the cash flows directly attributable to the loans, the corresponding expenses were reflected in net interest income rather than in borrower acquisition expenses, in accordance with IFRS 9. The borrower acquisition cost reflected in the net interest income for on-balance sheet loans was RMB2.2 billion, RMB3.6 billion and RMB4.5 billion (US\$0.6 billion) for the years ended December 31, 2020, 2021 and 2022, respectively.

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The following table sets forth the breakdown of our borrower acquisition costs, both in absolute amounts and percentages of total borrower acquisition costs, for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>
	<i>(in millions, except percentages)</i>					
Direct sales	4,928	42.8	4,462	44.1	3,814	48.5
Channel partners	5,510	47.9	4,922	48.6	3,555	45.2
Online and telemarketing	1,068	9.3	735	7.3	496	6.3
Total borrower acquisition costs	11,506	100.0	10,120	100.0	7,865	100.0

The borrower acquisition costs are all related to the off-balance sheet loans. For our on-balance sheet loans, the corresponding expenses are reflected in net interest income rather than in borrower acquisition expenses, in accordance with IFRS 9.

Our investor acquisition and retention expenses mainly represent the costs incurred to acquire and retain investors. These included primarily expenses for our member referral channel and our online direct marketing channel. The expenses for our online direct marketing channel consist primarily of incentives paid for new investor referrals, coupons, and online marketing expenses.

Our general sales and marketing expenses mainly represent payroll and related expenses for personnel engaged in marketing, brand promotion costs, business development costs and other marketing and advertising costs.

Referral expenses from platform service are related to Lujintong.

The following table sets forth the breakdown of our sales and marketing expenses, both in absolute amounts and as percentages of our total sales and marketing expenses, for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>
	<i>(in millions, except percentages)</i>					
Borrower acquisition expenses	11,506	64.6	10,120	56.2	7,865	49.9
Investor acquisition and retention expenses	820	4.6	677	3.8	301	1.9
General sales and marketing expenses	5,403	30.3	6,637	36.9	6,654	42.2
Referral expenses from platform service	84	0.5	559	3.1	937	5.9
Total sales and marketing expenses	17,814	100.0	17,993	100.0	15,757	100.0

General and administrative expenses

General and administrative expenses consist primarily of employee benefit expenses and office rentals that are not included in sales and marketing, operation and servicing, or technology and analytics expenses, tax surcharges, consulting service fees, business entertainment costs and other expenses.

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Operation and servicing expenses

Operation and servicing expenses consist primarily of (i) platform operation expenses, which mainly represent the expenses to external payment networks and partner banks for processing transactions, (ii) loan servicing expenses that are associated with enabling and servicing loans, which mainly represent the expenses related to credit assessment, customer and system support, payment processing services and collection, (iii) the cost of operating consolidated trust plans and (iv) salaries and benefits for personnel associated operation and servicing.

Technology and analytics expenses

Technology and analytics expenses consist primarily of the expenses with respect to research and development expenses and maintenance expenses related to our technology systems, technology service fees, as well as depreciation and salaries and benefits for IT personnel.

Impairment Losses

Under IFRS 9, we use an expected loss model to determine and recognize impairments, which were recorded within credit impairment losses.

The following table sets forth credit and asset impairment losses for the years indicated:

	For the Year Ended December 31,		
	2020	2021	2022
	<i>(RMB in millions)</i>		
Credit impairment losses	3,035	6,644	16,550
Asset impairment losses	7	1,101	427
Total	<u>3,042</u>	<u>7,745</u>	<u>16,978</u>

The following table sets forth the key components of impairment losses for the years indicated:

	For the Year Ended December 31,		
	2020	2021	2022
	<i>(RMB in millions)</i>		
Loan-related ⁽¹⁾	2,996	6,349	15,931
Investment-related ⁽²⁾	18	273	575
Others ⁽³⁾	28	1,123	472
Total	<u>3,042</u>	<u>7,745</u>	<u>16,978</u>

Notes:

- (1) Loan-related impairment losses consist of actual and expected losses from loan to customers, accounts and other receivables and contract assets related to our retail credit and enablement business and guarantee contracts.

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- (2) Investment related impairment losses consist of losses from financial assets at amortized cost.
- (3) Other impairment losses primarily consist of losses from accounts and other receivables related to wealth management business, goodwill and intangible assets.

Our credit impairment losses reflect the credit risk exposure we take and the indemnity losses we recognize when we fulfill our guarantee obligations to our funding partners for defaulted loans. The increase in our credit impairment losses from RMB3.0 billion in 2020, to RMB6.6 billion in 2021, and further to RMB16.6 billion (US\$2.4 billion) in 2022, was primarily due to the increase in indemnity losses and loan impairment provisions we recognized, driven by increased risk exposure and by worsening credit metrics, in large part due to the cumulative impact of successive COVID-19 outbreaks on the Chinese economy.

Our loan-related impairment losses tend to increase as we increase the credit risk we bear on loans we enable. The increase in loan-related impairment losses in 2021 was primarily due to increases in both the risk-bearing loan balance on our balance sheet and our off-balance sheet guarantee exposure as a result of our business growth. The increase in loan-related impairment losses in 2022 was primarily due to the increase of provision and indemnity loss driven by increased risk exposure and by worsening credit performance due in large part to the cumulative impact of successive COVID-19 outbreaks on the Chinese economy.

Finance Costs

Finance cost primarily consists of the interest expenses in connection with our convertible promissory note issued in October 2015 for acquiring our retail credit and enablement business, interest expenses on the debt component of the convertible redeemable preferred shares, and the interest expenses of our bank borrowings for general corporate operations that are not related to our retail credit and enablement business.

Other gains/(losses) - net

Other gains/(losses) primarily consist of government grants, foreign exchange gains/(losses) and input VAT super-deduction. The foreign exchange gains in 2020 and 2021, amounting to RMB192 million and RMB207 million, respectively, were mainly due to the appreciation of the RMB against the U.S. dollar. The significantly larger foreign exchange loss for 2022, amounting to RMB877 million, was mainly due to the depreciation of the RMB against the U.S. dollar.

TAXATION

Cayman Islands

We are incorporated as an exempted company in the Cayman Islands. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

Before April 1, 2018, our subsidiaries incorporated in Hong Kong were subject to Hong Kong profit tax at a rate of 16.5%. Since April 1, 2018, our subsidiaries incorporated in Hong Kong have been subject to

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Hong Kong profit tax at a rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over that amount. Hong Kong does not impose a withholding tax on dividends.

China

Generally, our subsidiaries and consolidated affiliated entities incorporated in China are subject to enterprise income tax on their worldwide taxable income as determined under PRC tax laws and accounting standards at a rate of 25%. Some of our subsidiaries are entitled to a favorable statutory tax rate of 15% because of their qualifications as “High and New Technology Enterprises” or because of favorable local tax treatment.

We are subject to value added tax, or VAT, at rates of 3% or 6% on the services we provide to borrowers and investors, less any deductible VAT we have already paid or borne. We are also subject to surcharges on VAT payments in accordance with PRC law. VAT has been phased in since 2012 to replace the business tax that was previously applicable to the services we provide. During the periods presented, we were not subject to business tax on the services we provide.

Dividends paid by our wholly foreign-owned subsidiary in China to our intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and receives approval from the relevant tax authority. If our Hong Kong subsidiary satisfies all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Risk Factors—Risks Relating to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

Income tax expenses

For the years ended December 31, 2020, 2021 and 2022, our income tax expenses were RMB5.6 billion, RMB6.7 billion and RMB4.2 billion (US\$0.6 billion), respectively. Our effective tax rate was 31.5%, 28.6% and 32.6% for 2020, 2021 and 2022, respectively. Our effective tax rate during these periods was higher than the PRC enterprise income tax rate of 25% primarily because overseas losses are not deductible for tax purposes, and also due to the reversal of deferred tax assets recognized in prior years in 2021 and a decrease in deferred income taxes in 2022.

Exchange Differences on Translation of Foreign Operations

Our exchange differences on translation of foreign operations amounted to RMB614.7 million, RMB28.3 million and negative RMB1.6 billion (US\$230 million) in 2020, 2021 and 2022, respectively.

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The fluctuations in exchange differences on translation of foreign operations during the Track Record Period were primarily due to the appreciation and depreciation of our foreign currency positions as a result of fluctuations of the exchange rates of the RMB against the U.S. dollar.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2022 compared to year ended December 31, 2021

Technology Platform-based Income

Our technology platform-based income decreased by 23.7% from RMB38.3 billion in 2021 to RMB29.2 billion (US\$4.2 billion) in 2022. This decrease was primarily due to a decrease of 22.2% in retail credit and enablement service fees from RMB36.8 billion in 2021 to RMB28.6 billion (US\$4.1 billion) in 2022 and a decrease of 60.2% in other technology platform-based income from RMB1.5 billion in 2021 to RMB0.6 billion (US\$0.1 billion) in 2022. The decrease of 22.2% in retail credit and enablement service fees was mainly due to a decrease of 39.3% in loan enablement service fees from RMB5.7 billion in 2021 to RMB3.4 billion (US\$0.5 billion) in 2022 and a decrease of 21.0% in post-origination service fees from RMB30.4 billion in 2021 to RMB24.0 billion (US\$3.5 billion) in 2022, which were primarily due to a decrease in new loan sales of our off-balance sheet loans which are funded by banks and by unconsolidated trust plans, and changes in our business model that resulted in more income being recognized as net interest income and guarantee income, partially offset by an increase of 62.4% in referral income from platform services from RMB0.7 billion in 2021 to RMB1.1 billion (US\$0.2 billion) in 2022 as a result of an increase in new loan sales through Lujintong.

Net Interest Income

Our net interest income increased by 33.9% from RMB14.2 billion in 2021 to RMB19.0 billion (US\$2.7 billion) in 2022.

Consolidated trust plans

Our net interest income from consolidated trust plans increased by 22.0% from RMB12.8 billion in 2021 to RMB15.7 billion (US\$2.3 billion) in 2022. Interest income from consolidated trust plans increased by 21.9% from RMB21.2 billion in 2021 to RMB25.9 billion (US\$3.7 billion) in 2022, and interest expenses increased by 21.6% from RMB8.4 billion in 2021 to RMB10.2 billion (US\$1.5 billion) in 2022, in both cases primarily driven by the increase in our average balance of loans originated by consolidated trust plans from RMB157.2 billion in 2021 to RMB194.3 billion (US\$27.9 billion) in 2022. Interest income represents interest income receivable by loans funded by these trust plans while interest expenses represent interest payable by these consolidated trust plans to their investors.

Microloans and consumer finance

Our net interest income from microloans and consumer finance increased by 147% from RMB1.3 billion in 2021 to RMB3.3 billion (US\$0.5 billion) in 2022. Interest income from microloans and consumer finance increased by 162% from RMB1.5 billion in 2021 to RMB4.0 billion (US\$0.6 billion) in 2022, and interest expense from microloans and consumer finance increased from RMB0.2 billion in 2021

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to RMB0.7 billion (US\$0.1 billion) in 2022. The increases were primarily due to the expansion of our consumer finance business, as we had ceased to make microloans in 2020. The outstanding loan balance of our consumer finance business increased from RMB11.6 billion as of December 31, 2021 to RMB29.7 billion (US\$4.3 billion) as of December 31, 2022.

Guarantee Income

Our guarantee income increased by 68.7% from RMB4.4 billion in 2021 to RMB7.4 billion (US\$1.1 billion) in 2022. This increase was primarily attributable to the increase in the proportion of the loans we enabled for which we had provided credit enhancement.

Other Income

Our other income decreased by 68.1% from RMB3.9 billion in 2021 to RMB1.2 billion (US\$0.2 billion) in 2022. This decrease was primarily attributable to a refund of account management fees to our primary credit enhancement partner as a result of worse-than-expected collection performance, and the narrowing down of service scope and change of fee structure that we provided and charged to our primary credit enhancement partner since the third quarter of 2022.

Sales and Marketing Expenses

Our sales and marketing expenses decreased by 12.4% from RMB18.0 billion in 2021 to RMB15.8 billion (US\$2.3 billion) in 2022.

Borrower acquisition expenses

Our borrower acquisition expenses decreased by 22.3% from RMB10.1 billion in 2021 to RMB7.9 billion (US\$1.1 billion) in 2022. Our borrower acquisition expenses primarily represent the expenses we incur as compensation for new loans we enabled that generated technology platform-based income, both for loans enabled in 2022 and for loans enabled in prior years whose remaining balance and tenor of obligations had not lapsed. The decrease in borrower acquisition expenses was primarily due to decreased new loan sales and reductions in commissions.

Investor acquisition and retention expenses

Our investor acquisition and retention expenses decreased by 55.5% from RMB0.7 billion in 2021 to RMB0.3 billion (US\$43.3 million) in 2022. This decrease was primarily due to the decrease in sales of wealth management products.

General sales and marketing expenses

Our general sales and marketing expenses increased by 0.3% from RMB6.6 billion in 2021 to RMB6.7 billion (US\$1.0 billion) in 2022. This increase was primarily due to the increase in staff costs for sales and marketing personnel.

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Referral expenses from platform service

Our referral expenses from platform service increased by 67.4% from RMB0.6 billion in 2021 to RMB0.9 billion (US\$0.1 billion) in 2022. This increase was primarily due to the increase in new loan sales through Lujintong.

General and Administrative Expenses

Our general and administrative expenses decreased by 20.5% from RMB3.6 billion in 2021 to RMB2.8 billion (US\$0.4 billion) in 2022. This decrease was primarily due to cost control measures we instituted in 2022.

Operation and Servicing Expenses

Our operation and servicing expenses decreased by 1.9% from RMB6.6 billion in 2021 to RMB6.4 billion (US\$0.9 billion) in 2022, primarily due to the decrease in our total outstanding balance of loans.

Technology and Analytics Expenses

Our technology and analytics expenses decreased by 10.2% from RMB2.1 billion in 2021 to RMB1.9 billion (US\$0.3 billion) in 2022. This decrease was primarily due to our improved efficiency.

Impairment Losses

Our impairment losses, including credit impairment losses and asset impairment losses, increased by 119% from RMB7.7 billion in 2021 to RMB17.0 billion (US\$2.4 billion) in 2022.

Credit impairment losses increased by 149% from RMB6.6 billion in 2021 to RMB16.6 billion (US\$2.4 billion) in 2022, primarily due to the increase of provision and indemnity loss driven by increased risk exposure and by worsening credit performance due to the impact of successive COVID-19 outbreaks on the Chinese economy.

Asset impairment losses decreased by 61.2% from RMB1.1 billion in 2021 to RMB0.4 billion (US\$0.1 billion) in 2022.

Finance Costs

Our finance costs increased by 24.5% from RMB1.0 billion in 2021 to RMB1.2 billion (US\$0.2 billion) in 2022, due primarily to our redemption of convertible promissory notes as well as the increase in our total borrowings.

Income Tax Expenses

Our income tax expenses decreased by 36.7% from RMB6.7 billion in 2021 to RMB4.2 billion (US\$0.6 billion) in 2022. The decrease was primarily due to the 44.4% decrease in profit before income tax expenses.

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Net Profits

As a result of the above, our net profits decreased by 47.5% from RMB16.7 billion in 2021 to RMB8.8 billion (US\$1.3 billion) in 2022.

Year ended December 31, 2021 compared to year ended December 31, 2020

Technology Platform-based Income

Our technology platform-based income decreased by 7.1% from RMB41.2 billion in 2020 to RMB38.3 billion in 2021. This decrease was primarily due to a decrease of 7.1% in retail credit and enablement service fees from RMB39.6 billion in 2020 to RMB36.8 billion in 2021 and a decrease of 8.1% in other technology platform-based income from RMB1.6 billion in 2020 to RMB1.5 billion in 2021. The decrease of 7.1% in retail credit and enablement service fees was mainly due to a decrease of 20.5% in loan enablement service fees from RMB7.1 billion in 2020 to RMB5.7 billion in 2021 and a decrease of 5.9% in post-origination service fees from RMB32.3 billion in 2020 to RMB30.4 billion in 2021, which were primarily due to the decreases in the prices of our products in response to regulatory guidance, and our focus on quality customer selection resulting in a lower pricing to reflect better credit profile, as well as our strategy to better support small and micro business owners, partially offset by an increase in referral income from platform services from RMB0.1 billion in 2020 to RMB0.7 billion in 2021 as a result of an increase in new loan sales through Lujintong.

Net Interest Income

Our net interest income increased by 82.9% from RMB7.8 billion in 2020 to RMB14.2 billion in 2021.

Consolidated trust plans

Our net interest income from consolidated trust plans increased by 102% from RMB6.4 billion in 2020 to RMB12.8 billion in 2021. Interest income from consolidated trust plans increased from RMB10.6 billion in 2020 to RMB21.2 billion in 2021, and interest expenses increased from RMB4.3 billion in 2020 to RMB8.4 billion in 2021, in both cases primarily driven by the increase in our average balance of loans originated by consolidated trust plans from RMB76.3 billion in 2020 to RMB157.2 billion in 2021. Interest income represents interest income receivable by loans funded by these trust plans while interest expenses represent interest payable by these consolidated trust plans to their investors.

Microloans and consumer finance

Our net interest income from microloans and consumer finance decreased by 3.4% from RMB1.4 billion in 2020 to RMB1.3 billion in 2021. Interest income from microloans and consumer finance increased from RMB1.4 billion in 2020 to RMB1.5 billion in 2021, and interest expense from microloans and consumer finance increased from RMB3 million in 2020 to RMB0.2 billion in 2021. Interest expense increased more rapidly than interest income because our consumer finance subsidiary started to fund new loans with borrowings from banks in 2021.

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Guarantee Income

Our guarantee income increased significantly from RMB0.6 billion in 2020 to RMB4.4 billion in 2021. This increase was primarily attributable to the increase in the proportion of the loans we enabled for which we had provided credit enhancement.

Other Income

Our other income increased by 155% from RMB1.5 billion in 2020 to RMB3.9 billion in 2021. This increase was primarily attributable to a 180% increase in account management service fees from RMB1.3 billion in 2020 to RMB3.6 billion in 2021, primarily due to the increase in service fees from credit enhancement providers for loan collections.

Sales and Marketing Expenses

Our sales and marketing expenses increased by 1.0% from RMB17.8 billion in 2020 to RMB18.0 billion in 2021.

Borrower acquisition expenses

Our borrower acquisition expenses decreased by 12.1% from RMB11.5 billion in 2020 to RMB10.1 billion in 2021. Our borrower acquisition expenses primarily represent the expenses we incur as compensation for new loans we enabled that generated technology platform-based income, both for loans enabled in 2021 and for loans enabled in prior years whose remaining balance and tenor of obligations had not lapsed. The decrease in borrower acquisition expenses was primarily due to increased sales productivity and decreased sales commissions.

Investor acquisition and retention expenses

Our investor acquisition and retention expenses decreased by 17.4% from RMB0.8 billion in 2020 to RMB0.7 billion in 2021. This decrease was primarily due to greater efficiency.

General sales and marketing expenses

Our general sales and marketing expenses increased by 22.8% from RMB5.4 billion in 2020 to RMB6.6 billion in 2021. This increase was primarily due to the increase in staff costs for sales and marketing personnel.

Referral expenses from platform service

Our referral expenses from platform service increased from RMB0.1 billion in 2020 to RMB0.6 billion in 2021. This increase was primarily due to the increase in new loan sales through Lujintong.

General and Administrative Expenses

Our general and administrative expenses increased by 19.6% from RMB3.0 billion in 2020 to RMB3.6 billion in 2021. This increase was primarily due to the increase in the scale of our business.

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Operation and Servicing Expenses

Our operation and servicing expenses increased by 8.7% from RMB6.0 billion in 2020 to RMB6.6 billion in 2021, primarily due to our increased use of consolidated trust plans as a funding source.

Technology and Analytics Expenses

Our technology and analytics expenses increased by 16.3% from RMB1.8 billion in 2020 to RMB2.1 billion in 2021. This increase was primarily due to our ongoing investments in technology research and development.

Impairment Losses

Our impairment losses, including credit impairment losses and asset impairment losses, increased by 155% from RMB3.0 billion in 2020 to RMB7.7 billion in 2021. Loan-related impairment losses increased by 112% from RMB3.0 billion in 2020 to RMB6.3 billion in 2021. The increase in loan-related impairment losses in 2021 was primarily due to increases in both the risk-bearing loan balance on our balance sheet and our off—balance sheet guarantee exposure as a result of our business growth. Investment-related impairment losses increased from RMB18 million in 2020 to RMB273 million in 2021, primarily due to losses from financial assets at amortized cost.

Finance Costs

Our finance costs decreased by 65.3% from RMB2.9 billion in 2020 to RMB1.0 billion in 2021. This decrease was primarily due to a decrease in the balance of convertible bonds following the restructuring of our C-round convertible notes and the increase in interest income resulting from the increase in deposits.

Income Tax Expenses

Our income tax expenses increased by 18.8% from RMB5.6 billion in 2020 to RMB6.7 billion in 2021. The increase was roughly in line with the 30.7% increase in profit before income tax expenses.

Net Profits

As a result of the above, our net profits increased by 36.1% from RMB12.3 billion in 2020 to RMB16.7 billion in 2021.

LIQUIDITY AND CAPITAL RESOURCES

We had net cash generated from operating activities of RMB7,121 million, RMB4,987 million and RMB4,455 million (US\$641 million) in 2020, 2021 and 2022, respectively.

In addition to net cash generated from operating activities, we raised cash from three rounds of equity financing prior to our initial public offering, the first two in 2015 and 2016, and the third with separate closings in 2018 and 2019, as well as a three-year syndicated loan facility agreement and our initial public

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offering in 2020. We did not receive cash from our issuance of automatically convertible promissory notes and optionally convertible promissory notes in 2020. As of December 31, 2022, all of the automatically convertible promissory notes had converted into our ordinary shares, and all of the US\$1,158 million total principal amount of the optionally convertible promissory notes remained outstanding, with a 6% annual interest rate and a maturity date (unless converted earlier) of September 30, 2023.

The following table sets forth a summary of our cash flows for the years presented:

	For the Year Ended December 31,			
	2020	2021	2022	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(US\$)</i>
	<i>(in millions)</i>			
Operating cash flows before changes in working capital	24,074	31,647	28,369	4,079
– Change in working capital	(12,730)	(18,652)	(13,639)	(1,961)
– Income taxes paid	(4,223)	(8,008)	(10,275)	(1,477)
Net cash generated from operating activities	7,121	4,987	4,455	641
Net cash (used in)/generated from investing activities	(15,004)	314	8,448	1,215
Net cash generated from/(used in) financing activities	24,874	(2,448)	(9,919)	(1,426)
Effect of exchange rate changes on cash and cash equivalents	(518)	(143)	57	8
Net increase/(decrease) in cash and cash equivalents	16,474	2,711	3,041	437
Cash and cash equivalents at beginning of the year	7,312	23,786	26,496	3,810
Cash and cash equivalents at end of the year	<u>23,786</u>	<u>26,496</u>	<u>29,538</u>	<u>4,247</u>

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. We assess various options for the deployment of surplus capital or surplus funds, including investment in financial assets, acquisitions or dividend payouts to shareholders.

As of December 31, 2022, we had RMB43.9 billion (US\$6.3 billion) in cash at bank, of which 95.2% was held in Renminbi. We had cash generated from operating activities of RMB7.1 billion, RMB5.0 billion and RMB4.5 billion (US\$0.6 billion) as of December 31, 2020, 2021 and 2022, respectively.

We believe that net cash generated from operating activities and our cash on hand will be sufficient to meet our current and anticipated needs for general corporate purposes for at least the next 12 months. We may decide to enhance our liquidity position or increase our cash reserve through additional capital and finance funding. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

In utilizing the proceeds that we received from our initial public offering in the United States or that we may receive from other securities offerings outside of the PRC, we may make additional capital

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contributions to our PRC subsidiaries, establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, make loans to our PRC subsidiaries, acquire onshore entities, or acquire offshore entities with business operations in China in offshore transactions. However, most of these uses are subject to PRC regulations and approvals. For example:

- capital contributions to our PRC subsidiaries must be approved by or reported to the Ministry of Commerce or its local counterparts; and
- loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local branches.

See “Regulatory Overview—Regulations Relating to Foreign Exchange.”

Substantially all of our future income is likely to be in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

Operating Activities

Net cash generated from operating activities for the year ended December 31, 2022 was RMB4.5 billion (US\$641 million), as compared to profit before income tax expenses of RMB13.0 billion (US\$1.9 billion) for the same period. The difference was primarily due to an decrease in loans to customers and accounts and other receivables of RMB10.4 billion (US\$1.5 billion) and a decrease in accounts and other payables of RMB24.1 billion (US\$3.5 billion). The decrease in loans to customers and accounts and other receivables was mainly due to decrease in outstanding balance of loans originated by consolidated trust plans and decrease in accounts and other receivables as we prudently scale down our business due to macroeconomic challenges. The decrease in accounts and other payables and payables to investors of consolidated structured entities was mainly due to decrease in payables to investors of consolidated trust plans as a result of decrease in outstanding balance of loans originated by consolidated trust plans. In addition to these changes in our working capital accounts, the difference between our net cash generated from operating activities and our profit before income tax expenses was also due to the impact of certain other items, in particular unrealized credit impairment losses of RMB12.0 billion (US\$1.7 billion), finance cost classified as financing activities of RMB2.5 billion (US\$0.4 billion) and foreign exchange losses of RMB0.9 billion (US\$0.1 billion), partially offset by investment income classified as investing activities of RMB1.5 billion (US\$0.2 billion).

Net cash generated from operating activities for the year ended December 31, 2021 was RMB5.0 billion, as compared to profit before income tax expenses of RMB23.4 billion for the same period.

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The difference was primarily due to an increase in loans to customers and accounts and other receivables of RMB101.2 billion and an increase in accounts and other payables of RMB82.5 billion. The increase in loans to customers and accounts and other receivables was due to increase in volume of loans originated by consolidated trust plans and volume of consumer finance loans enabled by our consumer finance subsidiary. The increase in accounts and other payables and payables to investors of consolidated structured entities was due to increase in payables to investors of consolidated trust plans as investment returns. In addition to these changes in our working capital accounts, the difference between our net cash generated from operating activities and our profit before income tax expenses was also due to the impact of certain other items, in particular credit impairment losses of RMB5.7 billion, finance cost classified as financing activities of RMB1.8 billion, asset impairment losses of RMB1.1 billion and depreciation of right-of-use assets of RMB0.6 billion, partially offset by investment income classified as investing activities of RMB1.6 billion.

Net cash generated from operating activities for the year ended December 31, 2020 was RMB7.1 billion, as compared to profit before income tax expenses of RMB17.9 billion for the same period. The difference was primarily due to an increase in accounts and other receivables of RMB68.9 billion and an increase in accounts and other payables of RMB56.2 billion. The increase in loan to customers and accounts and other receivables was due to increase in volume of loans originated by consolidated trust plans. The increase in accounts and other payables and payables to investors of consolidated structured entities was due to increase in payables to investors of consolidated trust plans as investment returns. In addition to these changes in our working capital accounts, the difference between our net cash generated from operating activities and our profit before income tax expenses was also due to the impact of certain other items, in particular credit impairment losses of RMB2.8 billion, finance cost classified as financing activities of RMB3.1 billion and depreciation of right-to-use assets of RMB0.6 billion, partially offset by investment income classified as investing activities of RMB1.1 billion.

Investing Activities

We prudently manage our investment allocation to ensure that we have investments readily convertible into cash from time to time in the event that there is a need for liquidity. We generally seek low-risk investment assets, including bank deposits, wealth management products, and fixed income products.

Net cash generated from investing activities for 2022 was RMB8.4 billion (US\$1.2 billion), primarily as a result of proceeds from sale of investment assets of RMB99.0 billion (US\$14.2 billion), a decrease in securities purchases under agreements to resell of RMB5.5 billion (US\$0.8 billion) and interest received on investment assets of RMB1.7 billion (US\$0.2 billion), partially offset by payment for acquisition of investment assets of RMB97.7 billion (US\$14.1 billion).

Net cash generated from investing activities for the year ended December 31, 2021 was RMB0.3 billion, primarily as a result of proceeds from sale of investment assets of RMB132.4 billion, partially offset by payment for acquisition of investment assets of RMB128.6 billion and an increase in securities purchases under agreements to resell of RMB4.8 billion. We also received RMB1.5 billion in interest on investment assets.

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Net cash used in investing activities for the year ended December 31, 2020 was RMB15.0 billion, primarily as a result of payment for acquisition of investment assets of RMB166.5 billion and financial assets purchased under reverse repurchase agreements of RMB0.7 billion, partially offset by proceeds from sale of investment assets of RMB151.2 billion and received in interest from investment assets of RMB1.2 billion.

Financing Activities

We generally seek longer term domestic financing activities and implement early repayment or minimizing foreign exchange risk as our strategy for overseas financing activities.

Net cash used in financing activities for 2022 was RMB9.9 billion (US\$1.4 billion), primarily as a result of payment for interest expenses and dividend declared of RMB8.9 billion (US\$1.3 billion), repayment of borrowings of RMB5.8 billion (US\$0.8 billion) and repayment of convertible promissory note payable of RMB3.7 billion (US\$0.5 billion), partially offset by proceeds from borrowings of RMB9.0 billion (US\$1.3 billion).

Net cash used in financing activities for the year ended December 31, 2021 was RMB2.4 billion, primarily as a result of payment for share repurchase program of RMB6.4 billion, repayment of borrowings of RMB1.8 billion, proceeds from issuance of shares and other equity securities of RMB22.3 million and payment for interest expenses of RMB0.9 billion, partially offset by proceeds from borrowings of RMB7.3 billion.

Net cash generated from financing activities for the year ended December 31, 2020 was RMB24.9 billion, primarily as a result of proceeds from borrowings of RMB10.6 billion and proceeds from issuance of shares and other equity securities of RMB18.9 billion, partially offset by repayment of borrowings of RMB2.9 billion and payment for interest expense of RMB1.2 billion.

Working Capital Sufficiency

Our Directors are of the view that taking into account the financial resources available to us, including our current cash and cash equivalents and available financing facilities, we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth certain key items of our assets and liabilities as of the dates indicated.

	As of December 31,			
	2020	2021	2022	
	(RMB)	(RMB)	(RMB)	(US\$)
	<i>(in millions)</i>			
ASSETS				
Cash at bank	24,159	34,743	43,882	6,310
Restricted cash	23,030	30,454	26,509	3,812
Financial assets at fair value through profit or loss	34,424	31,023	29,089	4,183
Financial assets at amortized cost	6,564	3,785	4,716	678

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	As of December 31,			
	2020	2021	2022	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(US\$)</i>
	<i>(in millions)</i>			
Accounts and other receivables and contract assets	23,326	22,345	15,758	2,266
Loans to customers	119,826	214,972	211,447	30,404
Intangible assets	1,882	899	885	127
Goodwill	9,047	8,918	8,911	1,281
Total assets	248,890	360,433	349,263	50,221
LIABILITIES				
Payable to platform investors	9,115	2,748	1,569	226
Payable to investors of consolidated structured entities	110,368	195,446	177,148	25,472
Accounts and other payables and contract liabilities	5,484	8,814	12,199	1,754
Optionally convertible promissory notes	7,531	7,405	8,143	1,171
Convertible promissory note payable	10,117	10,669	5,164	743
Total liabilities	165,739	265,874	254,476	36,592
EQUITY				
Share premium	33,213	33,366	32,074	4,612
Retained earnings	40,928	55,943	64,600	9,289
Other reserves	7,419	9,305	2,158	310
Non-controlling interests	1,592	1,506	1,597	230
Total equity	83,151	94,559	94,787	13,630

Cash at bank and restricted cash

Our cash at bank includes both demand deposits and time deposits.

	As of December 31,		
	2020	2021	2022
	<i>(RMB in millions)</i>		
Demand deposits	17,627	22,355	26,524
Time deposits	6,531	12,392	17,360

Our funds department monitors our allocation of cash between demand deposits and time deposits based on our liquidity position and cash flow forecast.

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Our restricted cash includes cash from consolidated structured entities, which is cash held by our consolidated structured entities that was collected from platform investors mainly for their upcoming investment in our retail credit business; deposits for borrowings, which are pledges for our secured borrowings; and deposits held on behalf of platform investors, which represent funds received from platform investors who have yet to make their investment decisions, or funds withdrawn by platform investors where the withdrawal is still in the process of being settled.

	As of December 31,		
	2020	2021	2022
	<i>(RMB in millions)</i>		
Cash from consolidated structured entities	14,582	24,904	22,990
Deposits for borrowings	–	3,043	1,479
Deposits held on behalf of platform investors	7,998	1,791	702
Others	450	716	1,338

Cash from consolidated structured entities increased from RMB14.6 billion as of December 31, 2020 to RMB24.9 billion as of December 31, 2021 as we have made more use of consolidated trusts as funding sources, and decreased slightly from RMB24.9 billion as of December 31, 2021 to RMB23.0 billion as of December 31, 2022, primarily due to dynamic changes in the pace of investors’ deposits and payouts.

Deposits held on behalf of platform investors decreased from RMB8.0 billion as of December 31, 2020 to RMB1.8 billion as of December 31, 2021 and further decreased to RMB0.7 billion as of December 31, 2022 primarily due to the decrease in investors’ deposits under our legacy peer-to-peer products as the outstanding loans have matured or been redeemed.

See “—Liquidity and Capital Resources” for further discussion.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise a variety of unlisted securities, listed securities, and derivative instruments.

	As of December 31,		
	2020	2021	2022
	<i>(RMB in millions)</i>		
Unlisted Securities			
Asset management plans	9,752	8,308	5,010
Mutual funds	3,199	2,487	7,125
Trust plans	9,927	3,052	3,891
Factoring products	824	–	–
Structured deposits	962	6,641	2,407
Bank wealth management products	2,092	4,589	7,563
Corporate bond	3,044	3,065	46

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	As of December 31,		
	2020	2021	2022
	<i>(RMB in millions)</i>		
Private fund and other equity investments	4,624	2,765	2,044
Other debt investments	–	109	1,003
Listed Securities			
Stock	–	8	–
Total	34,424	31,023	29,089

Financial assets at fair value through profit or loss decreased by 9.9% from December 31, 2020 to December 31, 2021, primarily due to a decrease of RMB6.9 billion in trust plans, a decrease of RMB1.9 billion in private fund and other equity investments, and a decrease of RMB1.4 billion in asset management plans, partially offset by an increase of RMB5.7 billion in structured deposits and an increase of RMB2.5 billion in bank wealth management products.

Financial assets at fair value through profit or loss decreased by 6.2% from December 31, 2021 to December 31, 2022, primarily due to a decrease of RMB4.2 billion in structured deposits, a decrease of RMB3.3 billion in asset management plans and a decrease of RMB3.0 billion in corporate bonds, partially offset by an increase of RMB4.6 billion in mutual funds and an increase of RMB3.0 billion in bank wealth management products.

We manage our investment portfolio as a whole and each asset class within our investment portfolio to ensure that we have investments readily convertible into cash from time to time in the event that there is a need for liquidity. To monitor and control the investment risks associated with our financial assets, we have adopted a set of internal policies and guidelines. Our investment mechanism, procedures, policies and guidelines are jointly reviewed and evaluated by our treasury department, finance department, legal compliance department and risk management department and approved by our management before taking effect. Our legal compliance department also regularly monitors the implementation of the investment policies and guidelines. In addition, we regularly report to our board our Company's investment strategies and performance. The staff for investment in our treasury department on average has approximately 10 years' experience in investment management and the senior member in charge of our treasury department has more than 20 years' experience in finance and treasury. Our investment strategy follows the risk preference of our Company, which in general favors low risk financial assets, such as the currency class assets and fixed income assets. We make investment decisions related to financial assets on a case-by-case basis. In making each investment decision, we take into account various factors, including, among others, the macroeconomic environment, the performance of major asset classes, the qualifications of the financial asset issuer, the liquidity position of our Company and other relevant circumstances to achieve the goal of maximizing the value of our investment portfolio.

After the Listing, the investments in investment portfolio will be subject to the Company's compliance with the requirements under Chapter 14 of the Listing Rules, and we also intend to continue our investments in these products strictly in accordance with our internal policies and guidelines.

We applied the discounted cash flow models and other similar techniques to determine the fair value of the financial assets at fair value through profit or loss classified as level 3 of the fair value hierarchy for financial reporting purpose. Determining whether to classify financial instruments into level 3 of the fair value hierarchy is generally based on the significance of the unobservable factors involved in valuation

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methodologies. The fair values of these financial instruments are based on cash flow discounted using the expected return according to management's estimates. The estimation of these financial assets at fair value through profit or loss primarily uses unobservable inputs, such as the estimated future cash flows and the expected discount rate of the investment products. In relation to the valuation of our financial assets measured within level 3 fair value measurement, our Directors have adopted, but not limited to, the following procedures: (i) review of the terms of the relevant agreements and documents regarding the financial assets without readily determinable fair value, (ii) consider available information in assessing the financial data and assumptions including but not limited to discount rate, expected cash flow, political and industry conditions, and (iii) depending on the size of the investment, review of the valuation results approved by the valuation committee which is formed by Chief Financial Officer, Chief Risk Officer and other senior management. Based on the above procedures, our Directors are of the view that the estimated fair values resulting from the valuation technique are reasonable, and the financial statements of our Group are properly prepared. Based on the above procedures and the professional advice received, the Directors are of the view that the valuation analysis performed on level 3 instruments is fair and reasonable and the financial statements of the Group are properly prepared. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the level 3 instruments.

Details of the fair value measurement of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in note 4.4 to the Accountant's Report set forth in Appendix I to this document which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the Historical Financial Information, as a whole, of the Group for the Track Record Period is set out on page I-2 of Appendix I to this document.

Based on the due diligence conducted by the Joint Sponsors including but not limited to (i) reviewing relevant notes in the Accountant's Report as contained in Appendix I to this listing document, (ii) conducting due diligence with the Company to understand the key bases, assumptions and methodologies adopted in the relevant valuation, and (iii) conducting due diligence with the Reporting Accountant to understand the work they performed in relation to the valuation of the level 3 financial instruments for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole, nothing has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to question the valuation analysis and results performed by the Directors.

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Financial assets at amortized cost

Financial assets at amortized cost include debt investments and interest receivable, less provision for impairment losses.

	As of December 31,		
	2020	2021	2022
	<i>(RMB in millions)</i>		
Debt investments	7,642	5,002	6,472
Interest receivable	94	121	123
Sub-total	7,736	5,124	6,595
Less: Provision for impairment losses	(1,172)	(1,339)	(1,878)
Total	6,564	3,785	4,716

Financial assets at amortized cost decreased by 42.3% from December 31, 2020 to December 31, 2021, primarily due to a decrease of RMB2.6 billion in debt investments.

Financial assets at amortized cost increased by 24.6% from December 31, 2021 to December 31, 2022, primarily due to an increase of RMB1.5 billion in debt investments.

Accounts and other receivables and contract assets

Accounts and other receivables and contract assets principally consist of contract acquisition costs and core retail credit and enablement service as well as a variety of other receivables.

	As of December 31,		
	2020	2021	2022
	<i>(RMB in millions)</i>		
Contract acquisition cost	9,017	7,964	6,237
Receivables from core retail credit and enablement service	10,344	7,380	3,736
Receivables from external payment services providers	1,750	2,665	1,826
Trust statutory deposits	968	1,360	1,058
Receivables from other technology platform-based income	803	765	508
Receivables from referral income from platform service	79	288	586
Receivables for shares repurchase program	–	870	860
Other deposits	491	543	506
Receivables from guarantee fees	89	411	431
Receivables from ADS income	4	112	95
Receivables from exercise of share options	–	36	0
Others	470	582	554
Less: Provision for impairment losses	(688)	(631)	(640)
Total	23,326	22,345	15,758

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Accounts and other receivables and contract assets decreased by 4.2% from December 31, 2020 to December 31, 2021, primarily due to a decrease of RMB3.0 billion in receivables from core retail credit and enablement service as a result of a decrease in new loans enabled by third-party banks as we provided more on-balance sheet loans through consolidated trusts and a decrease of RMB1.1 billion in contract acquisition cost due to increased sales productivity and decreased sales commissions, partially offset by an increase of RMB0.9 billion in receivables from external payment service providers due to an increase in the volume of new loans enabled and an increase of RMB0.9 billion in receivables for shares repurchase program.

Accounts and other receivables and contract assets decreased by 29.5% from December 31, 2021 to December 31, 2022, primarily due to a decrease of RMB3.6 billion in receivables from core retail credit and enablement service as a result of a decrease in new loans enabled by third-party banks as we provided more on-balance sheet loans through consolidated trusts, a decrease of RMB1.7 billion in contract acquisition cost due to decrease in volume of new loans and decreased sales commissions and a decrease of RMB0.8 billion in receivables from external payment service providers due to the slower growth in the volume of new loans enabled.

Loans to customers

Loans to customers include loans originated by consolidated trust plans, loans originated by microloan lending companies and consumer finance company, and interest receivable, less provision for impairment losses.

	As of December 31,		
	2020	2021	2022
	<i>(RMB in millions except for percentages)</i>		
Loans originated by consolidated trust plans	112,253	202,175	186,397
Loans originated by microloan lending companies and consumer finance company	6,241	12,588	30,110
Interest receivable	2,321	2,963	2,003
Less: Provision for impairment losses	(989)	(2,754)	(7,063)
	<u>119,826</u>	<u>214,972</u>	<u>211,447</u>
Expected credit loss rate	<u>0.82%</u>	<u>1.26%</u>	<u>3.23%</u>

Loans to customers increased by 79.4% from RMB119,826 million as of December 31, 2020 to RMB214,972 million as of December 31, 2021, net of provision for impairment losses of RMB989 million and RMB2,754 million, respectively, primarily due to the increase in volume of loans originated by consolidated trust plans and volume of consumer finance loans funded by our consumer finance subsidiary.

Loans to customers decreased by 1.6% from RMB214,972 million as of December 31, 2021 to RMB211,447 million as of December 31, 2022, net of provision for impairment losses of RMB2,754 million and RMB7,063 million, respectively, primarily due to the decrease in volume of loans originated by consolidated trust plans, along with increase in provision, partially offset by increase in the volume of consumer finance loans funded by our consumer finance subsidiary.

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The increase in the expected credit loss rates in 2021 compared to 2020 is due to the increases in risk-bearing of loans to customers. The increase in the expected credit loss rates in 2022 compared to 2021 is primarily because we expect the delinquency rate of our current portfolio will remain at a relatively high level in the next few quarters. To a lesser extent, a further increase in risk bearing of loans to customers also contributed to the increase in expected credit loss in 2022.

The provision for impairment losses for loans to customers represents management's estimate of expected credit losses on such loans to customers, calculated on a forward-looking basis. In measuring the expected credit losses, our management determined the appropriate models and assumptions, including exposure at default, probability of default, and loss given default, as well as establishing forward-looking scenarios and their relative weightings. As we expect our business to return to normal on the back of normalized credit metrics as SMB operation gradually return to normal and a reboot of the Chinese economy following the modification of the zero-COVID policy, the Directors believe that the outstanding balances are recoverable and that no further impairment is necessary.

Intangible assets

Intangible assets include trademarks and licenses and computer software and others.

Our intangible assets decreased by 52.2% from December 31, 2020 to December 31, 2021, primarily due to the impairment loss of the trademarks and licenses related to Qianhai exchange, Ping An Financing Guarantee (Tianjin) Co., Ltd. ("Tianjin Guarantee"), and Chongqing Financial Assets Exchange, whose business was terminated.

Our intangible assets remained relatively stable from December 31, 2020 to December 31, 2021.

Impairment testing for intangible assets

The trademarks and licenses were intangible assets acquired in business combinations as part of the reorganization of our company. Most of the trademarks and licenses acquired were determined to have indefinite useful life as there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows for our company.

Impairment reviews on the trademarks and licenses with indefinite useful life were conducted by our Company at the end of years according to IAS 36 "Impairment of assets". For the purposes of impairment assessment, the recoverable amount of the trademarks and licenses with indefinite life were determined based on the higher of the fair value less cost of disposal and value-in-use calculations. Given there is active market for our Company's trademarks and licenses with indefinite life, the fair value less cost disposal of these trademarks and licenses were determined based on the valuation technique using discounted cash flow method.

The management did the value-in-use calculations to determine the recoverable amounts. Value-in-use calculated to determine the recoverable amount based on discounted cash flows. With reference to cash flow projection developed based on financial budgets covering a three to seven-year period approved management of our Company. A period longer than five years is being adopted in the projections as our business is still at an early stage and required time building up its economic of scale. Therefore, from the

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viewpoint of our management and the market participants, our business expected to reach a steady and stable terminal growth rate likely after a three to seven-year's period.

The key assumptions used for value-in-use calculations are as follows:

	As of December 31,		
	2020	2021	2022
Pre-tax discount rates	26%	26%	21%-25%
Revenue growth rates	3%-275%	3%-8%	-47%-58%
Long term growth rate	3%	3%	2%

Pre-tax discount rate remained unchanged as of December 31, 2020 and December 31, 2021, due to (i) stable monetary and macroeconomic policies, which resulted in a stable risk-free rate; and (ii) our business and financial performance was also stable in 2020 and 2021, which resulted in a similar return on net assets.

The significant change in the revenue growth rates in 2022 is due to that we consciously choose to scale down our new loan sales volume in 2023, which will result in a decrease in income in 2023. We expect that the operations will gradually return to normal from 2024 and onwards, which will drive a U-shaped recovery in our income level as the impact of the COVID-19 pandemic recedes.

The trademarks and licenses of our company are primarily relating to trademark rights of Puhui of RMB800.7 million. The recoverable amount of Puhui's trademark exceeded its carrying amount:

	As of December 31,		
	2020	2021	2022
	RMB	RMB	RMB
	<i>(in thousands)</i>		
Recoverable amount of the CGU exceeded its carrying amount	3,895,059	3,795,189	4,761,332

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, on Puhui's trademark right impairment testing at the dates indicated. As shown below, the possible changes of key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount at the dates indicated.

Possible changes of key assumptions	Recoverable amount of the CGU exceeded its carrying amount		
	As of December 31,		
	2020	2021	2022
	RMB	RMB	RMB
	<i>(in thousands)</i>		
Revenue growth rate decrease by 5%	3,772,487	3,711,922	4,524,074
Pre-tax discount rate plus 1%	3,690,604	3,597,045	4,428,832

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The high growth rate adopted in 2020 assessment was mainly due to the substantial increase in the business volume of Tianjin Guarantee during the early period after the acquisition. The growth rate adopted in 2021 assessment changed significantly due to the integration of business of Tianjin Guarantee with Puhui Guarantee following the self-investigation and rectification for the regulatory interview on April 29, 2021. The recoverable amount of licenses of Tianjin Guarantee, Shenzhen Qianhai Financial Asset Exchange Co., Ltd. and Chongqing Financial Assets Exchange Co., Ltd. was significantly lower than book value during 2021 impairment assessment. As a result, impairment losses amounting to RMB964 million were recognized in 2021.

Based on our management's assessment on the recoverable amounts of the CGU, impairment losses amounting to nil, RMB964 million and nil were recognized for the years ended December 31, 2020, 2021 and 2022, respectively. Other than the aforementioned impairment, the results of cash flow projections exceed the carrying amount of each related cash-generating unit or group of units. However, subsequent impairment tests may be based on different assumptions and future cash flow projections, which may result in impairment losses for these assets in the foreseeable future.

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, of intangible assets impairment testing at the dates indicated. As shown below, the possible changes of key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount at the dates indicated.

Possible changes of key assumptions	Recoverable amount of the CGU exceeding its carrying amount		
	As of December 31,		
	2020	2021	2022
Revenue growth rate decrease by 5%	3,772,487	3,711,922	4,524,074
Pre-tax discount rate increase by 1%	3,690,604	3,597,045	4,428,832

Goodwill

Our goodwill decreased by 1.4% from December 31, 2020 to December 31, 2021, primarily due to the impairment loss of the goodwill related to Tianjin Guarantee and Qianhai Jinniu Loan (Shenzhen) Internet Financial Services Co., Ltd., whose business was terminated.

Our goodwill remained stable from December 31, 2021 to December 31, 2022.

Impairment testing for goodwill

Our company carries out its impairment testing on goodwill by comparing the recoverable amounts of groups of CGU to their carrying amounts. The recoverable amount of CGU and groups of CGU is the higher of value-in-use and fair value less costs of sale.

Management performed the value-in-use calculations to determine the recoverable amounts. Value-in-use is calculated to determine the recoverable amount based on discounted cash flows with reference to cash

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flow projection developed based on financial budgets covering a three to seven-year period approved by our management. A period longer than five years is being adopted in the projections as our business is still at an early stage and required time building up its economic of scale. Therefore, from the viewpoint of management of the Group and the market participants, our business is expected to reach a steady and stable terminal growth rate likely after an three to seven-year's period.

The key assumptions used for value-in-use calculations are as follows:

	As of December 31,		
	2020	2021	2022
Pre-tax discount rates	24%-27%	27%	19%
Revenue growth rates	3%-275%	3%-8%	-22%-30%
Long term growth rate	3%	3%	2%

The significant change in the revenue growth rates in 2022 is primarily due to our consciously scaling down of our new loan sales volume in 2023. We expect that the operations will gradually return to normal from 2024 and onwards, which will drive a U-shaped recovery in our income level as the impact of the COVID-19 pandemic recedes.

The recoverable amount of Puhui exceeded its carrying amount:

	As of December 31,		
	2020	2021	2022
	RMB	RMB	RMB
	<i>(in thousands)</i>		
Recoverable amount of the CGU exceeded its carrying amount	58,347,954	46,780,343	31,032,688

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, on Puhui impairment testing at the dates indicated. As shown below, the possible changes of key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount at the dates indicated.

Possible changes of key assumptions	Recoverable amount of the CGU exceeded its carrying amount		
	As of December 31,		
	2020	2021	2022
	RMB	RMB	RMB
	<i>(in thousands)</i>		
Revenue growth rate decrease by 5%	51,446,124	45,153,184	12,785,375
Pre-tax discount rate plus 1%	54,371,643	43,239,361	25,826,383

The high growth rate deployed in 2020 assessment was mainly due to the substantial increase in the business volume of Tianjin Guarantee during the early period after the acquisition. The growth rate

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deployed in 2021 assessment changed significantly due to the integration of business of Tianjin Guarantee with Puhui Guarantee following the self-investigation and rectification for the regulatory interview on April 29, 2021. As a result, impairment loss amounting to RMB126 million was recognized in 2021.

Based on our management's assessment on the recoverable amounts of the CGU, impairment losses amounting to nil, RMB129 million and RMB6.7 million were recognized for the years ended December 31, 2020, 2021 and 2022, respectively. Other than the aforementioned impairment, the results of cash flow projections exceed the carrying amount of each related cash-generating unit or group of units. However, subsequent impairment tests may be based on different assumptions and future cash flow projections, which may result in impairment losses of these assets in the foreseeable future.

Payable to platform investors

Payable to platform investors are funds from investors that were not yet used to purchase investment products through our platform and funds that have not yet been collected by investors.

Payable to platform investors decreased by 69.9% from December 31, 2020 to December 31, 2021, and further by 42.9% from December 31, 2021 to December 31, 2022, primarily due to the decrease in outstanding loans under our legacy peer-to-peer products as the loans have matured or been redeemed.

Payable to investors of consolidated structured entities

Payable to investors of consolidated structured entities comprises payable to investors of consolidated trust plans, payable to investors of consolidated wealth management plans and payable to investors of asset based securitization plans.

	As of December 31,		
	2020	2021	2022
	<i>(RMB in millions)</i>		
Payable to investors of consolidated trust plans	110,309	195,263	177,102
Payable to investors of consolidated wealth management plans	15	183	46
Payable to investors of asset based securitization plans	44	—	—
Total	110,368	195,446	177,148

Payable to investors of consolidated structured entities increased by 77.1% from December 31, 2020 to December 31, 2021, primarily due to our increased use of consolidated trust plans as a funding source.

Payable to investors of consolidated structured entities decreased by 9.4% from December 31, 2021 to December 31, 2022, as the volume of new loans originated by consolidated trust plans decreases during the period.

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Accounts and other payables and contract liabilities

Accounts and other payables and contract liabilities principally consist of employee benefit payables and contract liabilities from retail credit and enablement service as well as a variety of other payables.

	As of December 31,		
	2020	2021	2022
	<i>(RMB in millions)</i>		
Unpaid redemption consideration for convertible promissory notes	–	–	3,746
Employee benefit payable	3,203	4,042	2,716
Contract liabilities from retail credit and enablement service	–	1,107	3,068
Tax payable	554	831	846
Payable to cooperation banks	98	703	471
Payable to investees	431	431	431
Trust management fee	94	416	58
Payable to external suppliers	433	401	193
Cash compensation of Class C ordinary shares restructuring	99	47	21
Others	572	836	649
Total	5,484	8,814	12,199

Accounts and other payables and contract liabilities increased by 60.7% from December 31, 2020 to December 31, 2021, primarily due to an increase of RMB1.1 billion in contract liabilities from retail credit and enablement service as a result of a change in our policy in 2021 which caused our fee collection to outpace our contractual obligation and an increase of RMB0.8 billion in employee benefit payable as a result of an increase in staff costs.

Accounts and other payables and contract liabilities increased by 38.4% from December 31, 2021 to December 31, 2022, primarily due to an increase of RMB3.7 billion in unpaid redemption consideration for convertible promissory notes and an increase of RMB2.0 billion in contract liabilities from retail credit and enablement service as a result of a change in how we collect our loan enablement service fee in 2021. Our contract liability is our obligation to transfer service to borrowers for the which we have received consideration from borrowers. As our collection of loan enablement service fee outpaced the performance of our service based on contractual obligation after the change in fee collection, this resulted in an increase of contract liabilities in 2022. Such increase was partially offset by a decrease of RMB1.3 billion in employee benefit payable as a result of a decrease in staff costs.

Optionally convertible promissory notes

Optionally convertible promissory notes decreased by 1.7% from December 31, 2020 to December 31, 2021, primarily due to the depreciation in the U.S. dollar against the Renminbi over this period.

Optionally convertible promissory notes increased by 10.0% from December 31, 2021 to December 31, 2022, primarily due to the appreciation in the U.S. dollar against the Renminbi over this period.

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Convertible promissory note payable

Convertible promissory note payable increased by 5.5% from December 31, 2020 to December 31, 2021, primarily due to accrued interest expense.

Convertible promissory note payable decreased by 51.6% from December 31, 2021 to December 31, 2022, primarily due to redemption of convertible promissory notes during the period.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	February 28, 2023
	<i>(RMB in millions)</i>			<i>(unaudited)</i>
Borrowings	10,315	25,927	36,916	37,902
Bond payable	–	–	2,143	2,164
Convertible promissory note payable	10,117	10,669	5,164	5,201
Lease liabilities	979	795	749	691
Optionally convertible promissory notes	7,531	7,405	8,143	8,215
Total	28,943	44,797	53,115	54,173

Borrowings

Our borrowings consist primarily of unsecured bank borrowings, and to a lesser extent secured bank borrowings and a small amount of corporate borrowings. The secured bank borrowings are secured by cash deposits at the banks.

The following table sets forth the breakdown of our borrowings as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	February 28, 2023
	<i>(RMB in millions)</i>			<i>(unaudited)</i>
Secured				
– Bank borrowings ^(a)	–	2,992	1,344	1,344
Unsecured				
– Bank borrowings ^(b)	10,280	22,816	35,251	36,318
– Corporate borrowings	1	–	–	–
	10,281	25,809	36,595	37,662
Interest payable	34	119	320	240
Total borrowings	10,315	25,927	36,916	37,902

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Notes:

- (a) As of December 31, 2022, we had RMB1,344 million secured bank borrowings guaranteed by deposits. The terms of all these borrowings are 24 months, whose interest rates range from 3.84% to 4.05% per annum.
- (b) As of December 31, 2022, we had drawn down US\$1,290 million of unsecured borrowings under a US\$1,500 million three-year syndicated loan facility agreement entered into on February 13, 2020. The interest rate is determined based on monthly LIBOR rate plus 1.25% and the interest is paid on monthly basis.

The following table sets forth the range of interest rates of borrowings as of the dates indicated:

	As of December 31,		
	2020	2021	2022
Bank borrowings – fixed rate	4.35%-5.00%	2.80%-4.80%	2.70%-4.30%
Bank borrowings – floating rate	1.41%-2.68%	1.35%-1.92%	1.72%-5.59%
Corporate borrowings – fixed rate	0.50%-0.78%	0.78%	N/A

As of February 28, 2023, we had unutilized borrowings of RMB2,911 million.

Bond payable

Our bond payable consists primarily of new issued bonds, interest accrued at effective interest rate, interest paid and exchange differences.

The following table sets forth the breakdown of our bond payable as of the dates indicated:

	As of December 31, 2022
	<i>(RMB in thousands)</i>
New issued bonds	2,010,782
Interest accrued at effective interest rate	57,267
Interest paid	–
Exchange differences	75,299
Carrying value as of December 31, 2022	2,143,348

On June 7, 2022 and June 14, 2022, we issued two bonds of US\$300 million in total, respectively, whose interest rates are determined based on compounded Secured Overnight Financing Rate (“SOFR”) rate plus 2.5% and 2.55%, and the interest is paid at maturity. Both of these bonds mature one year from their respective issuance date.

Convertible promissory note payable

In October 2015, in connection with the acquisition of Gem Alliance Limited, we issued a convertible promissory note to Ping An Overseas Holdings, a subsidiary of Ping An Group, in an aggregate principal amount of US\$1,953.8 million. On the same date, Ping An Overseas Holdings agreed to transfer

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US\$937.8 million of the principal amount of the convertible promissory note and all rights, benefits and interests attached thereunder to An Ke Technology. The notes bear interest paid semi-annually at the rate of 0.7375% per annum. In December 2022, we, Ping An Overseas Holdings and An Ke Technology entered into an amendment and supplemental agreement to amend the terms of the Ping An Convertible Promissory Notes, pursuant to which we agreed to redeem 50% of the outstanding principal amount of the Ping An Convertible Promissory Notes from Ping An Overseas Holdings and An Ke Technology, and the parties agreed to extend the maturity date and the commencement date of the conversion period of the Ping An Convertible Promissory Notes. As a result, each of the Ping An Convertible Promissory Notes bears interest from the date of issuance, unless otherwise agreed, at the rate of 0.7375% per annum of the principal amount of each of the Ping An Convertible Promissory Notes outstanding from time to time, which will be payable by us semi-annually until the eleventh anniversary of the issuance date of the Ping An Convertible Promissory Notes. The Ping An Convertible Promissory Notes can be converted into the Shares at any time from April 30, 2026 until the date which is five business days before (and excluding) October 8, 2026, at an initial conversion price of US\$14.8869 per ordinary share subject to certain adjustments as set forth in each of the Ping An Convertible Promissory Notes. Unless converted or purchased and canceled prior to the maturity date, the Company will redeem the remaining 50% outstanding principal amount of the Ping An Convertible Promissory Notes together with accrued interests on the maturity date.

As of February 28, 2023, the outstanding principal amount of the Ping An Convertible Promissory Notes amounted to RMB6,791.3 million.

Optionally convertible promissory notes

On September 30, 2020, we issued US\$1,158 million total principal amount of optionally convertible promissory notes to certain shareholders in exchange for the Class C ordinary shares that they held. The optionally convertible promissory notes, all of which remain outstanding, have a coupon rate of 6% and can be converted into an aggregate of 38,493,660 ordinary shares, without giving effect to any anti-dilutive adjustments, at any time up to September 29, 2023.

As of February 28, 2023, the outstanding principal amount of the optionally convertible promissory notes amounted to RMB8,047.7 million.

CONTINGENT LIABILITIES

Save as disclosed in the subsection headed “Off-balance Sheet Arrangements,” we did not have any material contingent liabilities as of December 31, 2020, 2021 and 2022 and February 28, 2023.

Except as otherwise disclosed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of December 31, 2022. Since December 31, 2022 and up to the Latest Practicable Date, there had not been any material adverse change to our indebtedness.

Our loan agreements contain standard terms and conditions that are customary for commercial bank loans in China. Our Directors confirm that, as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any material covenants during the Track Record

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Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

Our capital expenditures were RMB206 million, RMB153 million and RMB123 million (US\$18 million) for 2020, 2021 and 2022. These capital expenditures primarily comprised expenditures for the purchase of property and equipment and other long-term assets. We intend to fund our future capital expenditures with our existing cash balance, and anticipated cash flows from operations. We will continue to make well-planned capital expenditures to meet the expected growth of our business.

OFF-BALANCE SHEET ARRANGEMENTS

Third-party credit enhancement providers provide the majority of the financing guarantees for the loans we enable, while we provide the remainder. The following table sets forth the balance of our remaining commitment as at each balance sheet date under the financing guarantee contracts for which we do not consolidate the underlying loans.

	As of December 31,			
	2020	2021	2022	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(US\$)</i>
	<i>(in millions)</i>			
Financing guarantee commitments	20,969	64,731	68,503	9,850

Aside from the above, we have not entered into any financing guarantees or other commitments to guarantee the payment obligations of any unconsolidated third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity or that are not reflected in our consolidated financial statements. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of December 31, 2022:

	Total		Less than 1 year		1–3 years		3–5 years		More than 5 years	
	<i>(RMB)</i>	<i>(US\$)</i>	<i>(RMB)</i>	<i>(US\$)</i>	<i>(RMB)</i>	<i>(US\$)</i>	<i>(RMB)</i>	<i>(US\$)</i>	<i>(RMB)</i>	<i>(US\$)</i>
	<i>(in millions)</i>									
Non-cancellable leases	794	115	472	68	315	45	7	1	–	–

Non-cancellable leases represent leases for office premises.

Other than as shown above, we did not have any significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2022.

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HOLDING COMPANY STRUCTURE

Lufax Holding Ltd is a holding company with no material operations of its own. We conduct our operations in China primarily through our subsidiaries, the consolidated affiliated entities and their subsidiaries in China. As a result, although other means are available for us to obtain financing at the holding company level, Lufax Holding Ltd's ability to pay dividends to its shareholders and to service any debt it may incur may depend upon dividends paid by our PRC subsidiaries and on technical and consulting service fees paid by the consolidated affiliated entities in China. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and consolidated affiliated entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, our subsidiaries and consolidated affiliated entities may allocate a portion of their after-tax profits based on PRC accounting standards to discretionary surplus funds at their discretion. Some of our subsidiaries are also required to set aside risk reserve funds. The statutory reserve funds and the discretionary surplus funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. Some of our PRC subsidiaries will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds or general risk reserves.

MATERIAL RELATED PARTY TRANSACTIONS

Ping An Group is a major related party of ours. We have maintained a strategic and mutually beneficial relationship with Ping An Group. We cooperate with Ping An Group in various areas, including primarily our license of certain trademarks from Ping An Insurance to us, our lease of properties from Ping An Group for office use, and Ping An Group's provision of deposit services, loan services, wealth management services, derivative products services and interbank services to us. See note 44 to the Accountant's Report set forth in Appendix I to this document for details.

Going forward, we will continue to engage in various types of transactions with Ping An Group, a related party and also a connected person. See "Connected Transactions" for further details about the arrangements with Ping An Group.

Our Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

Foreign Exchange Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which we conduct business may

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affect our financial position and results of operations. The foreign currency risk we have assumed mainly comes from movements in the USD/RMB exchange rate.

We and our major overseas intermediate holding companies' functional currency is USD. We are mainly exposed to foreign exchange risk arising from our cash and cash equivalents and loans to subsidiaries denominated in RMB. We have entered into spot-forward USD/RMB currency swaps to manage our exposure to foreign currency risk arising from loans to subsidiaries denominated in RMB.

Our subsidiaries are mainly operating in mainland China with most of the transactions settled in RMB. We consider that our business in mainland China is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of these subsidiaries denominated in the currencies other than RMB.

See note 4.1.1(a) to the Accountant's Report in Appendix I to this document for the foreign exchange rate risk to which we are exposed.

Interest Rate Risk

Interest rate risk is the risk that the fair value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instruments and is fixed until maturity. Floating rate instruments expose us to cash flow interest rate risk, whereas fixed rate instruments expose us to fair value interest risk. Our interest rate risk mainly arises from fixed rate instruments including cash at bank, accounts and other receivables and contract assets, loans to customers, and accounts and other payables and contract liabilities. Our interest rate risk policy requires us to manage interest rate risk by managing the maturities of interest-bearing financial assets and interest-bearing financial liabilities. See note 4.1.1(b) to the Accountant's Report in Appendix I to this document for the interest rate risk to which we are exposed.

Credit Risk

Credit risks refer to the risk of losses incurred by the inability of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. We are exposed to credit risks primarily associated with our deposit arrangements with commercial banks, financial assets at fair value through profit or loss, accounts and other receivables, and loans to customers. We use a variety of controls to identify, measure, monitor and report credit risk.

See note 4.1.2 to the Accountant's Report in Appendix I to this document for the credit risk to which we are exposed.

Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet our obligations as they become due. We aim to maintain

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sufficient cash at bank and marketable securities. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate cash at bank.

See note 4.1.3 to the Accountant's Report in Appendix I to this document for the liquidity risk to which we are exposed.

DIVIDENDS

On November 8, 2021, our board of directors approved an annual cash dividend policy. For the year ended December 31, 2021, we paid a cash dividend of US\$0.68 per ordinary share (US\$0.34 per ADS) to holders of our ordinary shares at market close on the record date, which was April 8, 2022.

On August 4, 2022, our board of directors approved a semi-annual cash dividend policy to replace our annual dividend policy.

For the six months ended June 30, 2022, we paid a cash dividend of US\$0.34 per ordinary share (US\$0.17 per ADS) under the semi-annual cash dividend policy to holders of our ordinary shares at market close on the record date, which was October 13, 2022.

On March 9, 2023, the Board has approved a revised semi-annual cash dividend policy to replace its existing dividend policy. Under the revised dividend policy, starting from 2023, the Company will declare and distribute a recurring cash dividend semi-annually in which the aggregate amount of the semi-annual dividend distributions for each year is equivalent to approximately 20% to 40% of our net profit in such fiscal year, or as otherwise authorized by the Board. The determination to make dividend distributions and the exact amount of such distributions in any particular semi-annual period will be based upon our operations and earnings, cash flow, financial condition, and other relevant factors, and subject to adjustment and determination by the Board.

The Board has approved a cash dividend of US\$0.10 per ordinary share for the six-month period ended December 31, 2022, on our issued and outstanding shares to shareholders of record as of the close of trading on the New York Stock Exchange on April 7, 2023. Holders of ADSs, each two ADSs representing one ordinary share, will accordingly be entitled to a cash dividend of US\$0.05 per ADS, subject to the payment of applicable depository fees. The Depository will distribute the dividend to holders of ADSs on or about April 21, 2023.

During the Track Record Period, no cash dividend was declared in 2020, the amount of annual cash dividend paid to our shareholders as a percentage of our net profit in 2021 was 29.4%, while the aggregate amount of annual cash dividend including paid and to be distributed to our shareholders as a percentage of our net profit in 2022 was approximately 40.0%.

We are a holding company incorporated as an exempted company in the Cayman Islands. We rely principally on dividends from our PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business."

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When we declare and pay dividends, we pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, when declared and paid, are also paid in U.S. dollars.

DISTRIBUTABLE RESERVES

As of December 31, 2022, the Company had distributable reserves amounting to RMB92,242.1 million available for distribution to our Shareholders, which is represented by the aggregate of share premium of RMB32,073.9 million and retained earnings of RMB60,168.2 million available for distribution after considering the accumulated statutory surplus reserve made by each of the Company's subsidiaries and the Consolidated Affiliated Entities incorporated in the PRC. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

LISTING EXPENSE

The total amount of expenses relating to the Listing is estimated to be RMB72.6 million. The entire amount is expected to be charged to our consolidated statements of comprehensive income. The listing expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS ATTRIBUTABLE TO OWNERS OF OUR COMPANY

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Listing on the consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2022 as if the Listing had taken place on December 31, 2022.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group, had the Listing been completed as of December 31, 2022 or at any future date.

Unaudited consolidated net tangible assets attributable to owners of the Company as of December 31, 2022 ⁽¹⁾	Estimated Listing Expenses ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as of December 31, 2022	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	Unaudited pro forma adjusted net tangible assets per ADS ⁽⁴⁾	Unaudited pro forma adjusted net tangible assets per Share ⁽⁵⁾	Unaudited pro forma adjusted net tangible assets per ADS ⁽⁵⁾
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>RMB</i>	<i>HK\$</i>	<i>HK\$</i>

Based on

1,145,993,970

Shares in issue

immediately prior

to the Listing

83,393,345	(61,205)	83,332,140	72.72	36.36	82.07	41.04
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Notes:

- (1) The unaudited consolidated net tangible assets attributable to owners of the Company as of December 31, 2022 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the unaudited consolidated net assets

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attributable to owners of the Company as of December 31, 2022 of RMB93,189,846,000 as set out in Appendix I with an adjustment for the intangible assets and goodwill attributable to the owners of the Company of RMB885,056,000 and RMB8,911,445,000 respectively.

- (2) In relation to the Listing, the Company expects to incur listing expenses in an aggregate amount of approximately RMB72.6 million which mainly include professional fees to the Joint Sponsors, legal advisers, the legal advisers to the Joint Sponsors and the Reporting Accountant, of which RMB11.4 million has been accounted for in the consolidated statement of comprehensive income up to December 31, 2022.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,145,993,970 ordinary shares were in issue immediately prior to the Listing, assuming that the Listing has been completed on December 31, 2022, excluding 57,511,787 treasury shares held by the Company and not taking into consideration of the Shares to be issued pursuant to the Share Incentive Plans including pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time, any issuance or repurchase and cancellation of Shares and/or ADSs by the Company, and any Shares which may be converted from the convertible promissory notes.
- (4) The unaudited pro forma adjusted net tangible assets per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that two ADSs represent one Share.
- (5) For the purpose of this pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8860 to HK\$1.00.
- (6) No other adjustment has been made to the pro forma adjusted net tangible assets of the Company to reflect any trading results or other transactions of the Company entered into subsequent to December 31, 2022.
- (7) The unaudited pro forma adjusted net tangible assets do not take into account the cash dividend of US\$0.1 per ordinary share declared on March 9, 2023. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets per Share and unaudited pro forma adjusted net tangible assets per ADS would be approximately HK\$81.29 per Share and HK\$40.64 per ADS, respectively.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate, the Directors confirm that, up to the date of this document, except as disclosed in “Summary—COVID-19 Impact and Declining Financial Performance”, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022, which is the end date of the periods reported on in the Accountant’s Report included in Appendix I to this document, and there is no event since December 31, 2022 that would materially affect the information as set out in the and the Accountant’s Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Ping An Insurance, through An Ke Technology, and Ping An Overseas Holdings indirectly held 285,000,000 and 189,905,000 Shares, respectively, representing in aggregate approximately 41.4% of the total issued and outstanding share capital of the Company (without taking into account any Shares that may be issued under the Share Incentive Plans or upon the conversion of any outstanding Convertible Promissory Notes). An Ke Technology is a wholly-owned subsidiary of Ping An Financial Technology, which is wholly owned by Ping An Insurance. Ping An Overseas Holdings is a direct wholly-owned subsidiary of Ping An Insurance. Accordingly, Ping An Insurance, Ping An Financial Technology, Ping An Overseas Holdings and An Ke Technology are a group of Controlling Shareholders of the Company for the purpose of the Listing Rules.

OUR RELATIONSHIP WITH PING AN GROUP

Principal businesses of Ping An Group

Ping An Insurance is a joint-stock limited company incorporated in the PRC with limited liability and its shares have been listed on the Main Board of the Stock Exchange since 2004, and on the Shanghai Stock Exchange since 2007.

Ping An Group is a leading retail financial services group in the PRC, which principally engages in the following businesses:

- **Insurance:** the insurance business of Ping An Group consists of: (i) life and health insurance business; and (ii) property and casualty insurance business.
- **Banking:** the banking business of Ping An Group is conducted through Ping An Bank, a national joint-stock commercial bank headquartered in Shenzhen, the PRC, and listed on the Shenzhen Stock Exchange. It provides corporate, retail and government clients with multiple banking and financial services through outlets and branches across the PRC.
- **Asset management:** the asset management business of Ping An Group consists of trust business, securities business and other asset management business.

In addition, the technology business of the Ping An ecosystem provides various financial and daily-life services through internet platforms, conducted through: (i) OneConnect, a technology-as-a-service provider and listed on the NYSE and Hong Kong Stock Exchange; (ii) Ping An Healthcare and Technology Company Limited, a leading online healthcare services platform in the PRC and listed on the Hong Kong Stock Exchange; (iii) Autohome Inc., a leading online automotive services platform in the PRC and listed on the NYSE and Hong Kong Stock Exchange; and (iv) the Company, the principal business of which is set out below in this listing document.

Our principal business

We offer financing products designed principally to address the needs of SBOs. See the section headed “Business” for details of our business.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

We have established a long term mutually beneficial relationship with Ping An Group. During the Track Record Period and up to the Latest Practicable Date, we have entered into certain connected transactions with Ping An Insurance and its certain subsidiaries and associates in relation to leasing of properties, provision of certain services and products, purchasing of certain services and products, and offering of financial services. The connected transactions were entered into in the ordinary course of business on normal commercial terms. Further, we have established business cooperation with Ping An Group for the offering of credit enhancement service by Ping An Group to the borrowers of loans we enable and sourcing of borrowers through the Ping An ecosystem. Such business cooperation is complementary, mutually beneficial and non-exclusive. We believe that we do not and will not substantially rely on Ping An Group. See the section headed “Independence from Controlling Shareholders” below for details.

Delineation of our businesses from those of Ping An Group

We believe that our principal business does not, and is not likely to, compete with the businesses of Ping An Insurance for the following reasons:

- (a) There is a clear delineation between our business and the retail and corporate banking business of Ping An Group. Ping An Insurance conducts its retail and corporate banking business through its subsidiary, Ping An Bank. Ping An Bank, as a traditional financial institution, typically provides loans to borrowers with longer operating history and significant collateral. By contrast, we primarily focus on providing credit enablement services to high-quality borrowers with a focus on SBOs and to a lesser degree on certain salaried worker customers who generally find it hard to obtain larger ticket size loans without collateral. As such, we capture customers who are not targeted by Ping An Bank’s retail and corporate banking services. Furthermore, we optimize the use of our own capital and our credit exposure by engaging with third-party funding partners and credit enhancement providers in our business model. The loans that we enabled in our retail credit and enablement business are primarily funded by third-party funding sources and the credit risks are mostly borne by the credit enhancement providers. Unlike us, Ping An Bank’s model is built on traditional full service banking model, where both funding and credit risk are mostly borne by its own balance sheets. In light of the above, we believe that our business and Ping An Bank’s retail and corporate banking business are clearly delineated in terms of target customers, as well as business model.
- (b) We benefit from the Ping An ecosystem and have established mutually beneficial business cooperation relationship with Ping An Group. Ping An Group has applied innovative technologies to various ecosystems covering, among others, financial services, healthcare and auto services. Among the financial services ecosystem, our business is clearly delineated from OneConnect’s business in terms of business model, nature of products and services offered and target customers. OneConnect operates on a business-to-business model while the Group operates on a business-to-consumer model. OneConnect provides technology solutions to financial institutions and its services are intended to enable financial institutions to experience digital transformations to help them enhance business operations process. On the other hand, we are a leading financial services enabler for SBOs in China and enable SBO and retail borrowers

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by connecting them with institutional partners and making the borrowing process faster, simpler and more intuitive to effectively address their financing needs.

In light of the above, we believe that there is a clear delineation between the business of the various ecosystems of Ping An Group and our business.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors are satisfied that we are capable of carrying on our business independently from the Controlling Shareholders and their respective close associates after Listing.

Management Independence

Our business is managed and conducted by the Board and senior management. Upon Listing, the Board will consist of nine Directors comprising two executive Directors, three non-executive Directors and four independent non-executive Directors. For more information, please see the section headed “Directors and Senior Management.”

The Directors consider that the Board and senior management will function independently of the Controlling Shareholders because:

- (a) none of our executive Directors or senior management holds any directorship or management position in Ping An Insurance and/or its close associates. Our three non-executive Directors and one independent non-executive Director hold directorship or management position in Ping An Insurance and/or its close associates. Our three non-executive directors, Mr. Guangheng JI, Ms. Xin FU and Mr. Yuqiang HUANG, serve as the senior vice president, the chief operating officer and the vice president of risk management department of Ping An Insurance, respectively. Mr. Rusheng YANG, our independent non-executive Director serves as an independent director of Ping An Bank, a subsidiary of Ping An Insurance. Mr. Guangheng JI, Ms. Xin FU, Mr. Yuqiang HUANG and Mr. Rusheng YANG are not involved in the day-to-day management and operations of our business. See the section headed “Directors and Senior Management” for further information on their roles;
- (b) the Directors are aware of their fiduciary duties as a director which require, among others, that they act for the benefit and in the interest of the Company and do not allow any conflict between their duties as a Director and their personal interests;
- (c) our daily management and operations are carried out by our senior management team, all of whom have substantial experience in the industry in which the Company is engaged, and will therefore be able to make business decisions that are in the best interests of the Group;
- (d) although one of our four independent non-executive Directors also serve as an independent directors of Ping An Bank, he is not involved in the day to day management of Ping An Bank;

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- (e) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and any Director or his/her associates, the interested Director is required to declare the nature of such interest before voting at the relevant Board meeting; and
- (f) we have adopted other corporate governance measures to manage conflicts of interest, if any, between the Group and the Controlling Shareholders, as detailed in “—Corporate Governance Measures.”

Based on the above, the Directors believe that our business is managed independently of the Controlling Shareholders.

Operational Independence

The Group is not operationally dependent on the Controlling Shareholders. Our business model and services/products are distinct from those of Ping An Group. We have obtained our own qualification, licenses and permits necessary to carry out our business and are not dependent on the Controlling Shareholders. We have a strong balance sheet position and sufficient capital, facilities, equipment and employees to operate our business independently from the Controlling Shareholders. We have our proprietary end-to-end system and accumulated proprietary data and our AI-driven dynamic risk modeling, which is core to our business operation and difficult for other players to replicate. We also have independent access to customers, suppliers, business partners, investors and have an independent management team to operate our business. We have established relationships with over 550 financial institutions in China, which provide funding and credit enhancement for the loans we enable as well as other products to enrich the SBO ecosystem that we are creating.

In addition, we have established our internal organizational and management structure which includes shareholders’ meetings, the Board and other committees, and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities.

During the Track Record Period and up to the Latest Practicable Date, we have entered into certain connected transactions with Ping An Insurance and its certain subsidiaries and associates in relation to leasing of properties, provision of certain services and products, purchasing of certain services and products, and offering of financial services. The connected transactions were entered into in the ordinary course of business on normal commercial terms. See the section headed “Connected Transactions” for further details of and reasons for entering into these transactions. For the years ended December 31, 2020, 2021 and 2022, the total income of the Group that was attributable to and generated from Ping An Insurance and its subsidiaries and associates and accounted for 4.1%, 9.0% and 5.1% of our total income, respectively. In addition, for the years ended December 31, 2020, 2021 and 2022, the total expenses paid to Ping An Insurance and its subsidiaries and associates by the Group accounted for 12.1%, 10.2% and 6.6% of our total expenses (including credit impairment losses), respectively. Further, as the business of the Group and Ping An Group’s business are complementary, we have entered into business cooperations with Ping An Group which are mutual and in the interest of both parties.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Credit Enhancement Service Offered by Ping An Group

We have established business cooperation with Ping An Group for the offering of credit enhancement service by Ping An Group to the borrowers of loans we enable. Our credit enhancement providers consist of credit insurance companies and guarantee companies. Credit enhancement providers benefit from the same customer referral, risk analytics and loan servicing and collection services as our funding partners. The borrowers of loans we enable can choose to purchase credit enhancement services from any service provider we cooperate with. For the loans we enable that are insured by Ping An Group, we have entered into agreements with terms of three years with Ping An Group and each of the funding partners. In the year ended December 31, 2022, in addition to Ping An Group, we cooperated with six other credit insurance companies to offer credit enhancement service to the borrowers.

Notwithstanding the above business cooperation with Ping An Group, the Directors are of the view that we do not and will not significantly rely on Ping An Group for our business operation for the following reasons:

(a) Complementary Business Nature and Mutually Beneficial Long-term Relationship

We are a leading technology-empowered credit enabler in China. Ping An Group is a leading insurance and financial services group in the PRC with a wide range of financial licenses. The business nature of Ping An Group and us are complementary to each other. In particular, on the one hand, as one of our credit enhancement providers, Ping An Group enables us to offer a broader range of credit enhancement services as a Fintech business; and on the other hand, Ping An Group benefits from the sale of credit guarantee insurance through us and our customer referral, risk analytics and loan servicing and collection services.

Further, as part of the Ping An ecosystem we have historically established business cooperation with Ping An Group. Through our long-term business cooperation, Ping An Group has developed a deep understanding of our business model and business needs and is able to provide quality products and services that satisfy our demands.

In view of the above, it is natural for, and in the best interest of, the Company to cooperate with Ping An Group.

(b) Normal Commercial Terms

The credit guarantee insurance offered by Ping An Group in respect of the loans we enable are on normal commercial terms and comparable with the terms of similar insurance offered by other service providers we cooperate with. Such credit guarantee insurance is provided in favor of the third-party lenders whereby insurance providers will repay the third-party lenders if a loan becomes sufficiently delinquent. Once a loan application passes our credit assessment process, we will refer the loan to a funding partner and, if applicable, a credit enhancement provider. We match borrowers with credit enhancement providers primarily based on the credit profile of the

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borrowers. The credit insurance providers conduct their own evaluation of each borrower to determine whether they will provide credit insurance while we help our partners collect the necessary information. Subject to the evaluation of the credit insurance providers, the final choice of credit insurance providers was made by the borrowers of the loans. We do not have control over the fees charged by the credit enhancement providers to the borrowers. Given Ping An Group's leading position in the insurance industry, as selected by the borrowers, 70.6% of the outstanding balance of loans enabled under Puhui brand as of December 31, 2022 were enhanced through the credit enhancement service provided by Ping An Group. The fees we charge for the borrowers we enable who purchase credit guarantee insurance of Ping An Group are comparable with the fees we charge for the borrowers we enable who choose to purchase credit guarantee insurance from other credit insurance service providers we cooperate with.

(c) Our Cooperation with Other Business Partners

Despite our long-term business cooperation with Ping An Group, we are not bound to cooperate with Ping An Group. We are able to enter into similar business cooperation with Independent Third Parties given the sufficient choices of comparable credit enhancement service providers in the market. We have established cooperation with other business partners that are independent of Ping An Insurance and will continue to explore additional partnership opportunities. In the year ended December 31, 2022, in addition to Ping An Group, we cooperated with six other credit insurance companies to offer credit enhancement service to the borrowers.

Our financing guarantee subsidiary enjoys a strong capital position, with net assets of RMB13.4 billion, RMB47.4 billion and RMB47.9 billion as of December 31, 2020, 2021 and 2022, respectively, as well as abundant leverage available, with a 1.8x, 1.8x and 2.0x leverage ratio as of the same dates. The outstanding balance of financing guarantee liabilities of a financing guarantee company shall not exceed 10 times of that company's net assets and the upper limit could be raised to 15 times. Thus, we have capacity to take on more risks.

We have been in discussion with funding partners to explore the path to provide a higher proportion of guarantee on the loans enabled by us. The increase in the level of the risk that we bear over the Track Record Period has not affected our cooperation with funding partners to date. If we do not engage Ping An P&C to provide credit enhancement service in the future, our business would not be materially impacted.

In addition, our loan enablement can be done either with or without third-party credit enhancement. Going forward, when and how much credit risk we take on and whether third-party credit enhancement is utilized depend on a dynamic mix of commercial factors, including the pricing of credit enhancement and the willingness of our funding partners to bear risk, as well as regulatory guidance.

Business cooperation as our channel partners

We source borrowers through a variety of channels. For our core retail credit and enablement business, we source borrowers under our Puhui brand primarily through offline channels. We have a large direct sales network of over 46,000 full-time employees as of December 31, 2022. In addition, as of

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December 31, 2022, we employed over 3,300 employees to engage in targeted online and telemarketing campaigns to reach customers base on their potential need for loans. Our direct sale and online and telemarketing channels were responsible for sourcing 60.0%, 62.6% and 71.2% of the new loans we enabled for the year ended December 31, 2020, 2021 and 2022, respectively. We complement our direct sale and online and telemarketing channels with a large and robust set of channel partners (including Ping An Insurance's affiliates), who introduce borrowers and are paid referral fees for each loan originated. For the years ended December 31, 2020, 2021 and 2022, our channel partners were responsible for sourcing 40.1%, 37.4% and 28.8% of the new loans we enabled, respectively. For consumer finance business, we acquires customers online through our consumer finance app and traffic platforms and offline through our direct sales network. We believe that the foregoing business cooperation with Ping An will not affect our independence for the following reasons:

- (a) we have our own direct sales network and online and telemarketing channels which were responsible for a majority of the new loans we enabled during the Track Record Period. With the development of our own sales network and the application of advanced AI technology, the volume contribution of new loans enabled by our direct sales network and online and telemarketing channels has increased substantially throughout the Track Record Period. Accordingly, the volume contribution of new loans we enabled originated from channel partners decreased from 40.1% for the year ended December 31, 2020 to 28.8% for the year ended December 31, 2022. We will continue to expand our direct sales network and online and telemarketing channels;
- (b) the business cooperation is complementary and mutually beneficial. Such business cooperation is on normal commercial terms. The referral fees we paid to various channel partners and the service fees we charge for borrowers sourced through different channels are comparable; and
- (c) we have established and will continue to establish business relationship with a large and robust set of active channel partners in a wide range of businesses, such as point-of-sale payment agencies, tax system providers and second-hand car transaction platforms.

Other Services Provided by Ping An Group to Us

We provide a range of services and products to Ping An Group including database products and services, marketing and referral services, account management and pledge registration services and other ancillary services and products. On the other hand, Ping An Group has been and will continue to provide certain services to us, which mainly involve administration and operation support, including transaction settlement services, outsourcing services relating to finance, human resources and customer management matters, technology products and services, health-related products and services, insurance products and services, reward program products and other ancillary services and products. The Directors believe that such arrangements are in the best interest of the Company and the Shareholders. Further, the Directors are of the view such arrangements do not and will not give rise to reliance issue in any material aspect considering the following factors:

- (a) as disclosed above, we make and implement operational decisions independently. The above services provided by Ping An Group are of administrative and supportive nature and do not involve any operational decision or affect our decision-making or business planning;

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- (b) we have historically received such services provided by members of Ping An Group and Ping An Group has developed a comprehensive and deep understanding of our administrative and operational needs. It would be more cost-effective for us to obtain such services from Ping An Group rather than maintaining our own headcounts for processing such work or obtaining such services from different service providers;
- (c) we are not bound and will not be bound to obtain such services from Ping An Group; and
- (d) as Ping An Insurance has almost 19-year track record as a listed company with a good record of regulatory compliance, we will benefit from the knowledge and experience of working with Ping An Insurance, and will more rapidly gain an understanding of corporate governance best practices for a company listed on the Stock Exchange. We will closely monitor and supervise the above business arrangements with Ping An Insurance and may consider to engage third-party service providers in the event that such arrangements give rise to material conflict of interest which would have an adverse impact on our corporate governance and operational independence.

Based on the above, the Directors are of the view that the Group is able to operate independently from Ping An Insurance and its close associates.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function, which is independent from Controlling Shareholders. We are capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders. We are registered independently for tax in accordance with applicable laws and we pay tax independently pursuant to applicable PRC tax laws and regulations, rather than on a combined basis with Ping An Insurance or other enterprises under its control.

The Group has deposited funds with Ping An Bank, and intends to continue to have deposits with Ping An Bank upon completion of the Listing in our ordinary course of business, which will constitute continuing connected transactions of the Company upon the Listing. See section headed “Connected Transactions—Non-Exempt And Partially Exempt Continuing Connected Transactions—5. Financial Services Framework Agreement” in this listing document for further details. However, such deposit arrangement is on normal commercial terms and does not affect our financial independence from the Ping An Group.

In October 2015, in connection with our acquisition of the retail credit and enablement business from Ping An Insurance, we issued the Ping An Convertible Promissory Notes. For details of the Ping An Convertible Promissory Notes, see the paragraph headed “History and Corporate Structure—Major Shareholding Changes of the Company and our Principal Subsidiaries—Shareholding changes of the Company—Convertible Promissory Notes Issued to Ping An Overseas Holdings and An Ke Technology” in this listing document. As of the Latest Practicable Date, (i) the outstanding principal amount of the Ping An

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Convertible Promissory Notes amounted to US\$976.9 million, and (ii) the outstanding principal amount of the interbank loans borrowed by Ping An Consumer Finance (a subsidiary of the Company) from Ping An Bank amounted to RMB800 million. Taking into account that (i) we have a strong financial position and have more than sufficient financial resources to cover the liabilities thereunder. As of December 31, 2022, the Group had total assets of RMB349.3 billion (US\$50.2 billion), net assets of RMB94,787 million (US\$13,630 million) and cash at bank of RMB43,882 million (US\$6,310 million), which are more than sufficient to cover the outstanding principal amount of such loans; (ii) the premature repayment of the Ping An Convertible Promissory Notes by us would involve additional costs, which would not be in the best interests of our shareholders as a whole; (iii) the interbank loans were extended by Ping An Bank to Ping An Consumer Finance in the ordinary course of business on normal commercial terms; (iv) as of December 31, 2022, the outstanding principal amount of the Ping An Convertible Promissory Notes and interbank loans from Ping An Insurance and its subsidiaries in aggregate accounted for 3% of the Company's total liabilities; and (v) being a company listed on the NYSE, we have been able to obtain financings from Independent Third Party commercial banks on normal commercial terms independently, the Directors consider that such loans do not affect our financial independence from the Controlling Shareholders.

Based on the above, the Directors are of the view that our business is financially independent of the Controlling Shareholders and their respective close associates and that the Company is capable of carrying on our business independently of, and does not place undue reliance, on the Controlling Shareholders and their close associates after the Listing.

Disclosure under Rule 8.10 of the Listing Rules

Save as disclosed in this listing document, we believe that as of the Latest Practicable Date, the Controlling Shareholders did not have any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

Save as disclosed in this listing document, none of the Directors was interested in any business apart from our business which competes, or is likely to compete, directly or indirectly, with our business and would otherwise require disclosure under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

CORPORATE GOVERNANCE MEASURES

We and the Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders.

Under the Articles of Association, our extraordinary general meetings may be convened on the written requisition of any one or more members holding, as at the date of deposit of the requisition, not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company. In addition, pursuant to the shareholder communication policy to be adopted by us upon Listing, the Shareholders are encouraged to put governance-related matters to the Directors and to us directly in writing.

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We will also adopt the following corporate governance measures to resolve actual or potential conflict of interests between the Group and the Controlling Shareholders:

- (a) where a Shareholders' meeting is held pursuant to the Listing Rules to consider proposed transactions or arrangements in which the Controlling Shareholders or any of their associates have a material interest, the Controlling Shareholder(s) shall abstain from voting and their votes shall not be counted;
- (b) we have established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with the Controlling Shareholders or any of their associates after Listing;
- (c) where the Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our expense;
- (d) we have appointed Somerley Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (e) we have established our audit committee, and nomination and remuneration committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules.

Based on the above, the Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest between the Group and the Controlling Shareholders, and to protect other Shareholders' interests after the Listing.

CONNECTED TRANSACTIONS

We will continue to engage in certain transactions with our connected persons upon Listing. These transactions will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

As our ADSs are listed on the NYSE, we will continue to be subject to and regulated by the regulations of the NYSE and other applicable laws and regulations in the United States so far as our ADSs remain listed on the NYSE. The requirements of the Listing Rules in relation to connected transactions are different from those of the NYSE. In particular, the definition of connected persons under the Listing Rules is different from the definition of related party under the regulations of the NYSE. Therefore, a connected transaction under the Listing Rules may or may not constitute a related party transaction under the regulations of the NYSE, and *vice versa*.

OUR CONNECTED PERSONS

The table below sets forth the relevant parties with whom we have entered into transactions and who will be regarded as our connected persons under the Listing Rules upon the Listing:

Name	Connected Relationship
Ping An Insurance and its certain subsidiaries and associates	Controlling Shareholder and its certain subsidiaries and associates
Ping An Consumer Finance	Ping An Consumer Finance is an indirect non-wholly-owned subsidiary of the Company and is owned as to 70% and 30% by the Company and Ping An Insurance, respectively. Accordingly, Ping An Consumer Finance is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules

SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

The table below sets forth a summary of our continuing connected transactions:

Nature of Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31,		
			<i>(RMB in millions)</i>		
			2023	2024	2025
Exempt continuing connected transaction					
1. Trademark Licensing Framework Agreement					
Royalties to be paid by us to Ping An Insurance	14A.52 and 14A.76	N/A	N/A	N/A	N/A

CONNECTED TRANSACTIONS

Nature of Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31,		
			2023	2024	2025
<i>(RMB in millions)</i>					
Non-exempt and partially exempt continuing connected transactions					
2. Property Leasing Framework Agreement	14A.34 to 35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement	364.5	382.8	401.9
Total value of right-of-use asset relating to the leases with certain subsidiaries and associates of Ping An Insurance entered into by us as lessee					
3. Provision of Services and Products Framework Agreement	14A.34 to 36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement, circular and independent shareholders' approval requirements	2,770.3	2,748.1	2,737.3
Fees to be paid by certain subsidiaries and associates of Ping An Insurance to us					
4. Services and Products Purchasing Framework Agreement	14A.34 to 36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement, circular and independent shareholders' approval requirements	3,462.4	3,966.2	4,537.8
Fees to be paid by us to certain subsidiaries and associates of Ping An Insurance					
5. Financial Services Framework Agreement	14A.34 to 36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement, circular and independent shareholders' approval requirements			
<i>Deposit Services</i>					
			Maximum daily balance of the principal amount of deposits to be placed by us with certain subsidiaries of Ping An Insurance		
			11,000.0	15,000.0	12,000.0
			Interest income to be received by us from certain subsidiaries of Ping An Insurance		
			165.0	225.0	180.0

CONNECTED TRANSACTIONS

Nature of Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31, <i>(RMB in millions)</i>		
			2023	2024	2025
<i>Debt Financing Services</i>			Maximum daily balance of outstanding principal amount of debt financing to be provided by us to certain subsidiaries of Ping An Insurance		
			4,600.0	4,000.0	3,000.0
			Income to be received by us from certain subsidiaries of Ping An Insurance for debt financing		
			281.0	244.0	183.0
<i>Wealth Management Services</i>			Maximum daily balance of total investment products and services to be purchased by us from certain subsidiaries of Ping An Insurance		
			24,000.0	27,000.0	29,000.0
			Investment income to be received by us		
			1,176.0	1,316.0	1,506.0
<i>Derivative Products Services</i>			Maximum outstanding notional amount in respect of foreign exchange and interest rate derivative products to be purchased by us from certain subsidiaries of Ping An Insurance		
			22,000.0	18,000.0	18,000.0
<i>Interbank Services</i>			Maximum daily balance of interbank deposits to be placed by us with certain subsidiaries of Ping An Insurance		
			10,000.0	15,000.0	15,000.0
			Interest income to be received by us from certain subsidiaries of Ping An Bank for the interbank deposits		
			66.3	102.7	130.6

CONNECTED TRANSACTIONS

Nature of Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31, <i>(RMB in millions)</i>		
			2023	2024	2025
			Maximum daily balance of interbank placements by certain subsidiaries of Ping An Insurance with us		
			1,500.0	2,500.0	3,500.0
			Interest to be paid by us on the interbank placements to certain subsidiaries of Ping An Insurance		
			67.5	112.5	157.5
6. 2023 Services Purchasing Agreement	14A.34 to 36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement, circular, and independent shareholders' approval	39.2	N/A	N/A
Fees to be paid by us to Ping An Insurance					
7. Ping An Consumer Finance Collaboration Agreement	14A.34 to 36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement, circular, and independent shareholders' approval			
<i>Shareholder Deposit Services</i>			Maximum daily balance of principal amount of deposits to be placed by us with Ping An Consumer Finance		
			9,500.0	9,500.0	9,500.0
			Interest income to be received by us from Ping An Consumer Finance		
			332.5	332.5	332.5
<i>General Services</i>			Fees to be paid by Ping An Consumer Finance to us		
			774.4	956.0	1,176.8

CONNECTED TRANSACTIONS

Nature of Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31, <i>(RMB in millions)</i>		
			2023	2024	2025
<i>Guarantee Services</i>			Maximum monthly average balance of principal amount guaranteed by us for the clients of Ping An Consumer Finance		
			8,245.0	11,160.0	14,968.0
			Guarantee service fees to be received by us from Ping An Consumer Finance		
			424.5	559.4	749.3
8. Contractual Arrangements	14A.34 to 36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement, circular, independent shareholders' approval, terms not exceeding three years and annual cap requirements	N/A		

EXEMPT CONTINUING CONNECTED TRANSACTION

1. Trademark Licensing Agreement

Principal terms

On February 25, 2020, Ping An Puhui Enterprises Management, being our wholly-owned subsidiary, entered into a trademark licensing agreement with Ping An Insurance (the “**Trademark Licensing Agreement**”), pursuant to which Ping An Insurance shall grant to Ping An Puhui Enterprises Management non-exclusive licenses for the use of certain trademarks that are registered in the PRC and owned by Ping An Insurance on a royalty-free basis. The trademarks could be sub-licensed by Ping An Puhui Enterprises Management to its branches and certain other members of the Group. The initial term of the Trademark Licensing Agreement commenced on February 25, 2020 and will end on December 31, 2030. The Trademark Licensing Agreement is terminable: (1) by Ping An Insurance giving not less than 30-day prior notice to Ping An Puhui Enterprises Management; (2) upon mutual consent by the parties; (3) upon Ping An Insurance’s ceasing to own the relevant trademarks; or (4) upon Ping An Puhui Enterprises Management’s liquidation, dissolution or cessation of business. The Trademark Licensing Agreement is subject to renewal through mutual consent by the parties. The Group has been using the licensed trademarks within the scope specified in the Trademark Licensing Agreement.

Pursuant to Rule 14A.52 of the Listing Rules, the period for the agreement for the continuing connected transactions must not exceed three years, except in cases where the nature of the transaction

CONNECTED TRANSACTIONS

requires the agreement to be of a duration longer than three years. The Trademark Licensing Agreement was entered into on normal commercial terms or better and the licensed trademarks under the Trademark Licensing Agreement are necessary for our business operations and a longer duration of the agreement will avoid any unnecessary business interruption and help ensure the long-term development and continuity of our business. The Joint Sponsors agree with the Company's reasons for requiring a longer term for the Trademark Licensing Agreement, and are of the view that entering into such agreement with a duration of over three years is in line with normal business practice.

Reasons for the transaction

We have been using the licensed trademarks under the Trademark Licensing Agreement for several years and we consider that the usage of such trademarks will enable us to leverage on the popularity and reputation of Ping An Group given the benefit of the licensed trademarks to the sustainable success of our business and our overall competitiveness. Therefore, having considered the strategic nature and importance of the licensed trademarks, it is in the best interests of the Company and the Shareholders to continue to use the relevant trademarks upon Listing.

Historical amounts

There was no historical amount for the Trademark Licensing Agreement for each of the three years ended December 31, 2022.

Listing Rules implications

As the license to use the licensed trademarks under the Trademark Licensing Agreement does not involve any licensing fees, the transactions under the Trademark Licensing Agreement constitute *de minimis* transactions and are fully exempt from the annual reporting, announcement, independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT AND PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We entered into the following transactions during our ordinary and usual course of business which will constitute continuing connected transactions under the Listing Rules and will be subject to the annual review, reporting, announcement, circular and independent shareholders' approval requirements (as may be applicable) under Chapter 14A of the Listing Rules.

2. Property Leasing Framework Agreement

Principal terms

On April 10, 2023, we entered into a property leasing framework agreement with certain subsidiaries and associates of Ping An Insurance (the "**Property Leasing Framework Agreement**"), pursuant to which we will lease properties from such subsidiaries and associates of Ping An Insurance for office use. Separate agreements will be entered into between the relevant parties setting out the specific terms and conditions

CONNECTED TRANSACTIONS

(including property rents, payment methods and other usage fees) in respect of the relevant leased property based on the principles, and within the parameters provided, under the Property Leasing Framework Agreement. The initial term of the Property Leasing Framework Agreement will commence on the Listing Date and end on December 31, 2025, subject to renewal upon mutual consent by the parties.

Reasons for the transaction

We have historically leased certain properties from certain subsidiaries and associates of Ping An Insurance as our offices. Such subsidiaries and associates of Ping An Insurance have a better understanding of our property requirements in relation to office premises as compared to Independent Third Parties. We believe that leasing properties from such subsidiaries and associates of Ping An Insurance can facilitate our business cooperation with them because of the proximity to each other. In addition, relocating our offices to other premises will cause unnecessary disruptions to our normal business operation and incur unnecessary costs. We consider that the terms of the Property Leasing Framework Agreement are consistent with normal commercial terms which can safeguard our entitlement to long-term property rights, therefore allowing us to achieve long-term development and continuity of our business operations.

Pricing policies

The rents payable by us during the term of the lease will be determined on normal commercial terms after arm's length negotiations between the relevant parties, and the rents shall be in line with or no higher than the prevailing market rates of properties of comparable size and quality situated in the same location provided by Independent Third Parties. We will make inquiries on and survey the rents asked by Independent Third Parties for office spaces of comparable size and quality situated in the same location, in order to assess the prevailing market rates for comparison to ensure that the rents payable by us are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Historical amounts

The total property rents incurred by us to such subsidiaries and associates of Ping An Insurance in respect of property leasing services for each of the years ended December 31, 2020, 2021 and 2022 were RMB140.3 million, RMB140.6 million and RMB123.3 million. The total property rent incurred by us had decreased in 2022 since the total area leased by us from such subsidiaries and associates of Ping An Insurance had been reduced since 2022 primarily due to the surrender of some of the offices leased from Ping An Insurance's subsidiaries and associates as result of the consolidation of our businesses.

Annual caps

The aggregate amount of property rent to be paid to certain subsidiaries and associates of Ping An Insurance on an annual basis under the Property Leasing Framework Agreement for the three years ending December 31, 2025 are not expected to exceed RMB141.5 million, RMB148.6 million and RMB156.0 million, respectively.

CONNECTED TRANSACTIONS

Pursuant to IFRS16, the lease of properties by us as lessee under the Property Leasing Framework Agreement will be recognized as both right-of-use assets and an ongoing lease liability payable over the term of the lease. The following table sets forth the proposed annual caps in respect of the Property Leasing Framework Agreement for the three years ending December 31, 2025:

	Proposed Annual Cap for the Year Ending December 31,		
	2023	2024	2025
	<i>(RMB in millions)</i>		
Total value of right-of-use asset relating to the leases entered into by us as lessee	364.5	382.8	401.9

Basis of caps

The proposed annual caps have been estimated based on the following factors:

- (i) the historical transaction amounts and trend under the existing property leasing arrangements between us and the relevant subsidiaries and associates of Ping An Insurance during the Track Record Period;
- (ii) the estimated demand for office spaces from the relevant subsidiaries and associates of Ping An Insurance for the three years ending December 31, 2025, which is expected to remain steady;
- (iii) the estimated term of lease and the anticipated renewal of certain existing property leases with the relevant subsidiaries and associates of Ping An Insurance for the three years ending December 31, 2025; and
- (iv) the estimated 5% increase in the annual rent for the properties leased from the relevant subsidiaries and associates of Ping An Insurance for the three years ending December 31, 2025, taking into account the prevailing market rates and future trend.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Property Leasing Framework Agreement for each of the three years ending December 31, 2025 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions under the Listing Rules subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

3. Provision of Services and Products Framework Agreement

Principal terms

On April 10, 2023, we entered into a provision of services and products framework agreement with certain subsidiaries and associates of Ping An Insurance (the “**Provision of Services and Products**”).

CONNECTED TRANSACTIONS

Framework Agreement”), pursuant to which we will provide the following services to such subsidiaries and associates of Ping An Insurance: (i) database products and services, (ii) marketing and referral services, (iii) account management and pledge registration services, and (iv) other ancillary services and products. Such subsidiaries and associates of Ping An Insurance will pay service fees to us in respect of the provision of such services and products. The precise scope of services, service fees calculation, payment terms and other details of the services arrangement will be agreed between the relevant parties separately based on the principles, and within the parameters provided, under the Provision of Services and Products Framework Agreement.

The initial term of the Provision of Services and Products Framework Agreement will commence on the Listing Date and end on December 31, 2025. Subject to compliance with Listing Rules and applicable laws and regulations, the Provision of Services and Products Framework Agreement may be renewed upon mutual consent by the parties.

Reasons for the transaction

The provision of services and products to certain subsidiaries and associates of Ping An Insurance would benefit us for the following reasons:

- in light of the leading position that Ping An Insurance enjoys in the PRC financial services industry, it is natural and in our best interests to cooperate with Ping An Insurance and its subsidiaries and associates. In addition, given that Ping An Insurance and its subsidiaries and associates have accumulated a large customer base over the years in the financial services industry, we could further increase our customer base through cooperation with them, who may refer our products and services to their customers;
- as both parties enjoy respective advantages in different business fields, our collaboration will bring synergy into full play and share development achievements; and
- the Company’s income may also be further increased based on the commercial terms and pricing basis determined based on market principles.

Pricing policies

For each type of our services and products, the services and products fees to be paid to us will be determined on the basis of arm’s length negotiations between the relevant parties taking into account various commercial factors such as the nature of the services/products, the frequency for us to provide such services and the estimated transaction amount. As for services we offer to our connected persons only, our service fees will be determined on a cost-plus basis, whereby the profit margin shall be in line with prevailing market rates with reference to the assessment to be made by an independent professional consultancy firm. Further, to ensure that the terms of supplying services and products to the relevant subsidiaries and associates of Ping An Insurance are fair and reasonable, we will consider a set of factors, including the historical prices of the relevant services and products offered by us and the prevailing market rates applicable to such services and products. We will also ensure the prices of our services and products offered to them shall not be lower than those offered by us to Independent Third Parties under similar terms.

CONNECTED TRANSACTIONS

Historical amounts

The following table sets forth the historical transaction amounts paid by certain subsidiaries and associates of Ping An Insurance to us:

	Historical amount for the year ended December 31,		
	2020	2021	2022
	<i>(RMB in millions)</i>		
Transaction amount paid by certain subsidiaries and associates of Ping An Insurance to us	1,878.1	4,983.2	2,597.0

The decrease in the transaction amount paid by the relevant subsidiaries and associates of Ping An Insurance to us in 2022 was primarily attributable to a refund of account management fees to a subsidiary of Ping An Insurance, being our primary credit enhancement partner as a result of worse-than-expected collection performance, and the narrowing down of service scope and change of fee structure that we provided and charged to such subsidiary of Ping An Insurance since the third quarter of 2022.

Annual caps

The following table sets forth the proposed annual caps for the fees payable by certain subsidiaries and associates of Ping An Insurance to us under the Provision of Services and Products Framework Agreement:

	Proposed Annual Cap for the Year Ending December 31,		
	2023	2024	2025
	<i>(RMB in millions)</i>		
Fees to be paid by certain subsidiaries and associates of Ping An Insurance to us	2,770.3	2,748.1	2,737.3

Basis of caps

The proposed annual caps have been estimated based on the following factors:

- (i) the historical transaction amounts under the existing business cooperation and services provision arrangements between us, the relevant subsidiaries and associates of Ping An Insurance during the Track Record Period and the expected demand for our products and services from the relevant subsidiaries and associates of Ping An Insurance;
- (ii) the expected increase of demand for our database products and services, and marketing and referral services from the relevant subsidiaries and associates of Ping An Insurance, which is in line with the trend of increase in the historical transaction amounts during the Track Record Period; and
- (iii) the expected decrease in the transaction amount in respect of our provision of account management services to a subsidiary of Ping An Insurance.

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Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Provision of Services and Products Framework Agreement for each of the three years ending December 31, 2025 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions under the Listing Rules subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules, and the independent shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

4. Services and Products Purchasing Framework Agreement

Principal terms

On April 10, 2023, we entered into a services and products purchasing framework agreement with certain subsidiaries and associates of Ping An Insurance (the “**Services and Products Purchasing Framework Agreement**”), pursuant to which certain subsidiaries and associates of Ping An Insurance will provide the following services to us: (i) transaction settlement services, (ii) outsourcing services relating to finance, human resources and customer management matters, (iii) technology products and services, (iv) health-related products and services, (v) insurance products and services, (vi) reward program products, and (vii) other ancillary services and products. We will, in return, pay service fees to the relevant subsidiaries and associates of Ping An Insurance. The precise scope of services, service fees calculation, payment terms and other details of the services arrangement will be agreed between the relevant parties separately based on the principles, and within the parameters provided, under the Services and Products Purchasing Framework Agreement.

The initial term of the Services and Products Purchasing Framework Agreement will commence on the Listing Date and end on December 31, 2025. Subject to compliance with Listing Rules and applicable laws and regulations, the Services and Products Purchasing Framework Agreement may be renewed upon mutual consent by the parties.

Reasons for the transaction

Since our establishment, we have been purchasing a variety of services from certain subsidiaries and associates of Ping An Insurance to satisfy our business and operational needs. Owing to the complementary and mutually beneficial business relationship, the relevant subsidiaries and associates of Ping An Insurance have acquired a comprehensive understanding of our business and operational requirements and established a solid foundation for mutual trust to foster our continuing cooperation. Based on our previous purchasing experience with such subsidiaries and associates of Ping An Insurance, the relevant subsidiaries and associates of Ping An Insurance are capable of satisfying our business needs efficiently and reliably with a stable supply of high quality services and products, and entering into the Services and Products Purchasing Agreement would minimize disruption to our operation without incurring unnecessary costs. In addition, it would be more cost-effective for the Company to outsource procedural and commoditized work to the

CONNECTED TRANSACTIONS

relevant subsidiaries and associates of Ping An Insurance, instead of maintaining its own headcounts for processing such work.

Pricing policies

The services and products fees to be paid by us to the relevant subsidiaries and associates of Ping An Insurance under the Services and Products Purchasing Framework Agreement will be determined either (i) through bidding procedures according to our internal rules and procedures, whereby we will compare the fee rates offered by Independent Third Parties as well as assessing our business needs and the relevant qualifications/experience of the bidders in providing such services before determining the service fee rate for the transactions under the Services and Products Purchasing Framework Agreement; or (ii) if no tendering and bidding process is required under our internal rules, through arm's length negotiations between the relevant parties taking into account factors such as nature, transaction amount and term of the services and products, and shall be in line with fees offered by such subsidiaries and associates of Ping An Insurance to their respective Independent Third Parties for similar services and products. In addition, for certain standardized products and services offered by the relevant subsidiaries and associates of Ping An Insurance, fees payable by us are based on our actual usage of the relevant product or services and the market rates of such products and services. For outsourcing services relating to finance, human resources and customer management matters and technology services offered to us, the service fees payable are determined on a cost-plus basis, whereby the profit margin shall be in line with prevailing market rates to be assessed by an independent professional consultancy firm to be engaged by us.

Historical amounts

The following table sets forth the historical amount of transaction amounts paid by us to the relevant subsidiaries and associates of Ping An Insurance:

	Historical amount for the year ended December 31,		
	2020	2021	2022
	<i>(RMB in millions)</i>		
Transaction amount paid by us to certain subsidiaries and associates of Ping An Insurance	3,527.2	3,751.9	3,347.3

Annual caps

The following table sets forth the proposed annual caps for the fees payable by us to the relevant subsidiaries and associates of Ping An Insurance under the Services and Products Purchasing Framework Agreement:

	Proposed Annual Cap for the Year Ending December 31,		
	2023	2024	2025
	<i>(RMB in millions)</i>		
Fees paid by us to the relevant subsidiaries and associates of Ping An Insurance	3,462.4	3,966.2	4,537.8

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Basis of caps

The proposed annual caps have been estimated based on the following factors:

- (i) the historical transaction amounts under the existing services and products purchasing arrangements between us, the relevant subsidiaries and associates of Ping An Insurance during the Track Record Period and our expected demand for their products and services;
- (ii) the expected approximately 15% increase in our demand for the transaction settlement services, the technology services and the outsourcing services relating to finance, human resources and customer management matters, which in aggregate accounted for the majority of the transaction amounts paid by us to the relevant subsidiaries and associates of Ping An Insurance during the Track Record Period, from the relevant subsidiaries and associates of Ping An Insurance on an annual basis:
 - in respect of the expected increase in our demand for the transaction settlement services and technology services, taking into account the expected development and growth in our business and operational scale;
 - in respect of the expected increase in our demand for the outsourcing services relating to finance, human resources and customer management matters, taking into account the expected development and growth in our business and operational scale and the benefit to our cost efficiency and management effectiveness by outsourcing such services;
- (iii) the expected increase in our needs for the insurance services from the relevant subsidiaries and associates of Ping An Insurance in supporting the continual development of our business operation; and
- (iv) the expected increase of service and product fees to be charged by the relevant subsidiaries and associates of Ping An Insurance taking into account the estimated inflation in the PRC.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Services and Products Purchasing Framework Agreement for each of the three years ending December 31, 2025 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions under the Listing Rules subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules, and the independent shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

CONNECTED TRANSACTIONS

5. Financial Services Framework Agreement

Principal terms

On April 10, 2023, we entered into a financial services framework agreement with certain subsidiaries of Ping An Insurance (the “**Financial Services Framework Agreement**”), pursuant to which we will engage in certain financial services-related transactions, including deposit services, debt financing services, wealth management services, derivative products services, and/or interbank services, with certain subsidiaries of Ping An Insurance. For the deposit services, we will deposit cash with certain subsidiaries of Ping An Insurance (including Ping An Bank which is a licensed bank), including cash generated from our daily business operations and cash generated from our financing activities. In return, the relevant subsidiaries of Ping An Insurance will pay deposit interests to us. We will also provide debt financing to certain subsidiaries of Ping An Insurance, and receive income in return. We will subscribe various investment products issued or managed by certain subsidiaries of Ping An Insurance, and receive investment income in return. We will also purchase foreign exchange and interest rate derivatives products from certain subsidiaries of Ping An Insurance. In respect of the interbank services, we will engage in interbank deposit services and interbank placements services with certain subsidiaries of Ping An Insurance.

The initial term of the Financial Services Framework Agreement will commence on the Listing Date and end on December 31, 2025. Subject to compliance with Listing Rules and applicable laws and regulations, the Financial Services Framework Agreement may be renewed upon mutual consent of both parties.

Reasons for the transaction

Given that certain subsidiaries and associates of Ping An Insurance have built reputable and long-established financial service, insurance and banking businesses in the PRC, it would be most cost-efficient for us to leverage their core business strength by engaging them for the financial services under the Financial Services Framework Agreement. Furthermore, as they have been providing various financial services to us during the Track Record Period, they have developed a deep understanding of our capital structure, business operations, funding needs and cash flow patterns, which enables them to provide us with expedient and efficient services. Taking into account our previous experience with the relevant subsidiaries and associates of Ping An Insurance under the existing financial services arrangements, the relevant subsidiaries and associates of Ping An Insurance are well-positioned in providing us with quality financial services to satisfy our financial needs.

Pricing policies

Deposit services

Interest rates for the bank deposits placed by us with certain subsidiaries of Ping An Insurance will not be lower than: (i) the interest rate published by the PBOC for deposits of a similar type for the same period; (ii) the interest rate offered for deposits of a similar type for the same period placed with Independent Third Parties, which we shall obtain and compare with by conducting public inquiries through the market; or

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(iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to us.

Debt financing services

Return rates for the debt financing provided to certain subsidiaries of Ping An Insurance by us will not be less favorable to us than: (i) the interest rate for loans of a similar type for the same period imposed by us on Independent Third Parties; or (ii) the interest rate imposed on certain subsidiaries of Ping An Insurance by Independent Third Parties for loans of a similar type for the same period.

Wealth management services

The determination and calculation method of the investment income rates in respect of the investment products and services to be purchased from the relevant subsidiaries of Ping An Insurance will be the same as those offered by them to other purchasers of such investment products and services (including their respective Independent Third Party purchasers), which we shall obtain and compare with by conducting public inquiries through the market. We will also seek offers for comparable investment products and services from independent banks or financial institutions for comparison to ensure the applicable investment income rates offered by such subsidiaries of Ping An Insurance would be comparable to, or no less favorable to us than the average investment income rates offered by independent banks or financial institutions for comparable investment products and services.

Derivative products services

The terms of the derivative products offered by certain subsidiaries of Ping An Insurance will be the same as those offered by it to other purchasers of such derivative products (including its Independent Third Party purchasers). We will also conduct comparisons with market data to ensure that the terms offered by certain subsidiaries of Ping An Insurance are fair and reasonable.

Interbank services

Interest rates for the interbank deposits and placements shall be no less favorable to us than: (i) the interest rate published by the PBOC for similar interbank services for the same period (if applicable); or (ii) the interest rate imposed or payable by us for similar interbank services with independent commercial banks for the same period.

Historical amounts

In respect of the deposit service provided by certain subsidiaries of Ping An Insurance to us, the maximum daily balance of the principal amount of deposits placed by us with them was RMB15.3 billion, RMB6.3 billion and RMB10.3 billion, and the interest income from them was RMB102.4 million, RMB216.3 million and RMB201.5 million, for each of the years ended December 31, 2020, 2021 and 2022, respectively.

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In respect of the debt financing provided to certain subsidiaries of Ping An Insurance by us, the maximum daily balance of outstanding principal amount of debt financing provided to certain subsidiaries of Ping An Insurance by us was RMB13.1 billion, RMB7.94 billion and RMB4.6 billion, and the income to be received by us from certain subsidiaries of Ping An Insurance for debt financing was RMB256.7 million, RMB505.2 million and RMB142.8 million, for each of the years ended December 31, 2020, 2021 and 2022, respectively.

In respect of the wealth management services provided by the relevant subsidiaries of Ping An Insurance to us, the maximum daily balance of wealth management products purchased by us was RMB29.2 billion, RMB28.6 billion and RMB23.6 billion, and the investment income received by us from the relevant subsidiaries of Ping An Insurance was RMB734.2 million, RMB1,364.7 million and RMB612.9 million, for each of the years ended December 31, 2020, 2021 and 2022, respectively.

In respect of the derivative products provided by certain subsidiaries of Ping An Insurance, net gain/(loss) on derivatives was RMB(547.6 million), RMB560.2 million and RMB529.7 million, for each of the years ended December 31, 2020, 2021 and 2022, respectively. We recorded both derivative financial assets and derivative financial liabilities during the Track Record Period. Derivative financial assets were nil, RMB38.4 million and RMB447.4 million as of December 31, 2020, 2021 and 2022, respectively. Derivative financial liabilities were RMB547.6 million, RMB25.8 million and nil as of December 31, 2020, 2021 and 2022, respectively. The maximum outstanding notional amount in respect of derivative products purchased by us with them was RMB18.1 billion, RMB17.1 billion and RMB17.8 billion, for each of the years ended December 31, 2020, 2021 and 2022, respectively.

In respect of the interbank services provided by certain subsidiaries of Ping An Insurance, the maximum daily balance of interbank deposits placed by us with them was RMB5.01 billion, RMB3.4 billion and RMB7.9 billion, and the interest income received by us from them was RMB45.3 million, RMB30.9 million and RMB79.6 million, for each of the years ended December 31, 2020, 2021 and 2022, respectively. During the Track Record Period, there was no interbank placement from any subsidiaries of Ping An Insurance with us.

Annual caps

The following table sets forth the proposed annual caps for the maximum transaction amounts/balance of different financial services that we received from, or provided to, the relevant subsidiaries of Ping An Insurance under the Financial Services Framework Agreement:

	Proposed Annual Cap for the Year Ending December 31,		
	2023	2024	2025
	<i>(RMB in millions)</i>		
Deposit Services			
Maximum daily balance of the principal amount of deposits to be placed by us with certain subsidiaries of Ping An Insurance	11,000.0	15,000.0	12,000.0
Interest income to be received by us from the relevant subsidiaries of Ping An Insurance	165.0	225.0	180.0

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	Proposed Annual Cap for the Year Ending December 31,		
	2023	2024	2025
	<i>(RMB in millions)</i>		
Debt Financing Services			
Maximum daily balance of outstanding principal amount of debt financing to be provided by us to certain subsidiaries of Ping An Insurance	4,600.0	4,000.0	3,000.0
Income to be received by us from the relevant subsidiaries of Ping An Insurance for debt financing	281.0	244.0	183.0
Wealth Management Services			
Maximum daily balance of total of investment products and services to be purchased by us from the relevant subsidiaries of Ping An Insurance	24,000.0	27,000.0	29,000.0
Investment income to be received by us from the relevant subsidiaries of Ping An Insurance	1,176.0	1,316.0	1,506.0
Derivative Products Services			
Maximum outstanding notional amount in respect of foreign exchange and interest rate derivative products to be purchased by us from certain subsidiaries of Ping An Insurance	22,000.0	18,000.0	18,000.0
Interbank Services			
Maximum daily balance of interbank deposits to be placed by us with certain subsidiaries of Ping An Insurance	10,000.0	15,000.0	15,000.0
Interest income to be received by us from the relevant subsidiaries of Ping An Insurance for the interbank deposits	66.3	102.7	130.6
Maximum daily balance of interbank placements by certain subsidiaries of Ping An Insurance with us	1,500.0	2,500.0	3,500.0
Interest to be paid by us on the interbank placements to the relevant subsidiaries of Ping An Insurance	67.5	112.5	157.5

Basis of caps

In respect of the proposed annual caps for the different financial services under the Financial Services Framework Agreement, we in general take into account, among other things, our treasury and investment policies, our future working capital and liquidity needs, and our anticipated foreign exchange and interest rate risk exposure and hedging needs. In respect of our treasury and investment policies, we expect to continue to manage our investment allocation prudently to ensure that we have investments readily convertible into cash from time to time in the event that there is a need for liquidity and seek low-risk investment assets, including bank deposits, wealth management products, and fixed income products. We also aim to continue to maintain sufficient cash at bank and marketable securities to ensure that we can meet

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our liquidity needs from time to time. In respect of our anticipated foreign exchange and interest rate risk exposure and hedging needs, we expect that we will be exposed to foreign currency risk arising from movements in the USD/RMB exchange rate and we will continue to manage such risk by purchasing foreign exchange and interest rate products (such as, spot-forward USD/RMB currency swaps).

Deposit services—maximum daily balance of the principal amount of deposits to be placed by us with certain subsidiaries of Ping An Insurance

The proposed annual caps of the maximum daily balance of the principal amount of deposits to be placed by us with certain subsidiaries of Ping An Insurance have been estimated based on the following factors:

- (i) the historical amounts under the existing deposit service arrangements during the Track Record Period; and
- (ii) the current and expected future cash flow position of the Company in light of our estimated scale and growth of business operation and demand for deposit services in the future.

Deposit services—interest income to be received by us from the relevant subsidiaries of Ping An Insurance

The proposed annual caps for the interest income to be received by us from the relevant subsidiaries of Ping An Insurance are determined based on the expected prevailing market interest rates on our expected outstanding deposit amount.

Debt financing services—maximum daily balance of outstanding principal amount of debt financing to be provided by us to certain subsidiaries of Ping An Insurance

The above proposed annual caps for the maximum daily balance of outstanding principal amount of debt financing provided by us to certain subsidiaries of Ping An Insurance are determined with reference to the historical amounts under the existing debt financing arrangements with certain subsidiaries of Ping An Insurance during the Track Record Period and the current and expected future amount of our available funds, taking into account our future treasury and investment policies under which we expect to continue to prudently manage our investment allocation to ensure that we have investments readily convertible into cash from time to time and seek low-risk investment assets, working capital and liquidity needs, as well as our provision of debt financing to certain subsidiaries of Ping An Insurance to generate income.

Debt financing services—income to be received by us from the relevant subsidiaries of Ping An Insurance for debt financing

The above proposed annual caps for the income to be received by us from the relevant subsidiaries of Ping An Insurance are determined based on the expected prevailing market return rate applicable to debt financing. Our decisions on the provision of such debt financing are based on risk and return analysis under our treasury and investment policies under which we expect to continue to prudently manage our investment allocation to ensure that we have investments readily convertible into cash from time to time and seek low-risk investment assets.

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Wealth management services—maximum daily balance of total of investment products and services to be purchased by us from certain subsidiaries of Ping An Insurance

The above proposed annual caps for the maximum daily balance of total of investment products and services to be purchased by us from the relevant subsidiaries of Ping An Insurance are determined with reference to the historical amounts under the existing wealth management services arrangements and the current and future expected amount of available funds of the Company, taking into account our future financial policy under which we expect to continue to prudently manage our investment allocation to ensure that we have investments readily convertible into cash from time to time and seek low-risk investment assets, working capital and liquidity needs, as well as our investment in wealth management products to generate investment income.

Wealth management services—investment income to be received by us from the relevant subsidiaries of Ping An Insurance

The above proposed annual caps for the investment income to be received by us from the relevant subsidiaries of Ping An Insurance are determined based on the expected prevailing market return rate applicable to wealth management services provided by them. Our decisions on the investment products of the relevant subsidiaries of Ping An Insurance are based on risk and return analysis under our treasury and investment policies under which we expect to continue to prudently manage our investment allocation to ensure that we have investments readily convertible into cash from time to time and seek low-risk investment assets, as well as an analysis of suitable and comparable products available in the market.

Derivative products services—maximum outstanding notional amount in respect of foreign exchange and interest rate derivative products to be purchased by us from certain subsidiaries of Ping An Insurance

The above proposed annual caps for the maximum outstanding notional amount in respect of foreign exchange and interest rate derivative products to be purchased by us from certain subsidiaries of Ping An Insurance are determined based on the historical transaction amounts under the existing derivative products purchase arrangements, and our anticipated foreign exchange and interest rate risk exposure and hedging needs with regard to the expected volume of our business transactions.

Interbank services—maximum daily balance of the interbank deposits to be placed by us with certain subsidiaries of Ping An Insurance

The proposed annual caps of the maximum daily balance of the interbank deposits to be placed by us with certain subsidiaries of Ping An Insurance have been estimated based on the following factors:

- (i) the historical amounts under the existing interbank deposit service arrangements during the Track Record Period; and
- (ii) the current and expected future cash flow position of the Company in light of our estimated scale and growth of business operation and demand for interbank deposit services in the future.

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Interbank services—interest income to be received by us from the relevant subsidiaries of Ping An Insurance for the interbank deposits

The proposed annual caps for the interest income to be received by us from the relevant subsidiaries of Ping An Insurance are determined based on the expected prevailing market interest rates on our expected outstanding interbank deposit amount.

Interbank services—maximum daily balance of the interbank placements by certain subsidiaries of Ping An Insurance with us

The above proposed annual caps for the maximum daily balance of the interbank placements by certain subsidiaries of Ping An Insurance with us are determined with reference to the current and expected future interbank placements arrangements.

Interbank services—Interest to be paid by us to the relevant subsidiaries of Ping An Insurance

The above proposed annual caps for the interbank placement interest to be paid by us to the relevant subsidiaries of Ping An Insurance are determined based on the expected interbank placement amount to be utilized by us taking into account our expected cash flow requirements and the expected prevailing market interest rates.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Financial Services Framework Agreement for each of the three years ending December 31, 2025 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions under the Listing Rules subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules, and the independent shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

6. 2023 Services Purchasing Agreement

Principal terms

Ping An Puhui Enterprises Management, being our wholly-owned subsidiary, entered into a services purchasing agreement with Ping An Insurance on December 30, 2022 (the “**2023 Services Purchasing Agreement**”), pursuant to which Ping An Insurance will provide certain services to Ping An Puhui Enterprises Management, including financial consulting services, administrative services, legal and risk management services, and human resources consulting services. The term of the 2023 Services Purchasing Agreement commenced on December 30, 2022 and will end on December 31, 2023. The estimated service fees payable by us to Ping An Insurance under the 2023 Services Purchasing Agreement amount to RMB39.16 million, subject to the actual services provided. Such service fees will be payable by us to Ping An Insurance on a quarterly basis.

CONNECTED TRANSACTIONS

Reasons for the transaction

Since our establishment, we have been purchasing a variety of services from Ping An Insurance to satisfy our business and operational needs. Owing to the complementary and mutually beneficial business relationship, Ping An Insurance has acquired a comprehensive understanding of our business and operational requirements and established a solid foundation for mutual trust to foster our continuing cooperation. Based on our previous purchasing experience with Ping An Insurance, Ping An Insurance is capable of satisfying our business needs efficiently and reliably with a stable supply of high quality services and products, and entering into the 2023 Services Purchasing Agreement would minimize disruption to our operation without incurring unnecessary costs. In addition, it would be more cost-effective for the Company to outsource procedural and commoditized work to Ping An Insurance, instead of maintaining its own headcounts for processing such work.

Pricing policies

The service fees payable under the 2023 Services Purchasing Agreement is determined on a cost-plus basis, representing estimated costs plus a mark-up rate of approximately 5%.

Historical amounts

The historical transaction amounts paid by Ping An Puhui Enterprises Management to Ping An Insurance in respect of the above purchase of services for each of the years ended December 31, 2020, 2021 and 2022 were RMB45.0 million, RMB42.7 million and RMB31.0 million, respectively.

Annual cap and basis of cap

The annual cap of the service fees payable by us under the 2023 Services Purchasing Agreement for the year ending December 31, 2023 will be RMB39.2 million. The annual cap is determined based on the historical transaction amounts under the existing services and products purchasing arrangements between Ping An Puhui Enterprises Management and Ping An Insurance during the Track Record Period and our expected demand for their products and services taking into account the expected development and growth in our business and operational scale.

Listing Rules implications

In respect of the transactions under the 2023 Services Purchasing Agreement when aggregated with the transactions under the Services and Products Purchasing Agreement as detailed below, as the highest applicable percentage ratio for the year ending December 31, 2023 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules is expected to exceed 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

CONNECTED TRANSACTIONS

7. Ping An Consumer Finance Collaboration Agreement

Principal terms

We entered into a collaboration agreement with Ping An Consumer Finance on April 10, 2023 (the “**Ping An Consumer Finance Collaboration Agreement**”), pursuant to which Ping An Consumer Finance will provide shareholder deposit services to its shareholder, being us, and we will provide certain services to Ping An Consumer Finance (and/or its subsidiaries (if any)), including (i) labor outsourcing services, (ii) credit information consulting services, (iii) technology services, (iv) other ancillary services (together with labor outsourcing services, credit information consulting services and technology services, collectively the “**General Services**”), and (v) guarantee services. For the shareholder deposit services, we will deposit cash into our accounts at Ping An Consumer Finance which is a licensed financial institution, including cash generated from our daily business operations and cash generated from our financing activities. In return, Ping An Consumer Finance will pay deposit interests to us. For the General Services, Ping An Consumer Finance will pay service fees to us in respect of the provision of such services. For the guarantee service, our financing guarantee subsidiary will guarantee the repayment of the loans extended by Ping An Consumer Finance to its clients and, in return, Ping An Consumer Finance will pay guarantee service fees to our financing guarantee subsidiary. The precise scope of services, service fees calculation, payment terms and other details of the services arrangement will be agreed between the relevant parties separately based on the principles, and within the parameters provided, under the Ping An Consumer Finance Collaboration Agreement.

The initial term of the Ping An Consumer Finance Collaboration Agreement will commence on the Listing Date and end on December 31, 2025. Subject to compliance with Listing Rules and applicable laws and regulations, the Ping An Consumer Finance Collaboration Agreement may be renewed upon mutual consent by the parties.

Reasons for the transaction

Being a member of the Group, Ping An Consumer Finance possesses a more comprehensive understanding of our demand for shareholder deposit services and has a faster communication channel with us compared with other Independent Third Party service providers. Likewise, we possess a more comprehensive understanding of Ping An Consumer Finance’s business and operational requirements and well understand its sophisticated standards on the General Services and guarantee services required in its daily operation. Furthermore, the business of Ping An Consumer Finance, being a subsidiary of the Company, is fully integrated with the business of the Group. As such, we believe that entering into the Ping An Consumer Finance Collaboration Agreement with Ping An Consumer Finance would be most cost-effective to the Group and would also facilitate mutually beneficial cooperations between both parties.

Pricing policies

Shareholder deposit services

Interest rates for the shareholder deposits placed by us with Ping An Consumer Finance will not be lower than: (i) the interest rate published by the PBOC for deposits of a similar type for the same period;

CONNECTED TRANSACTIONS

(ii) the interest rate offered for deposits of a similar type for the same period placed with Independent Third Parties, which we shall obtain and compare with by conducting public inquiries through the market; or
(iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to us.

General Services and guarantee services

For each type of our services, the service fees to be paid to us will be determined on the basis of a reasonable transfer pricing method after arm's length negotiations between the relevant parties taking into consideration various commercial factors such as the nature of the services, the frequency for us to provide such services/products, the transaction amount. When there is no market comparable to or available market quotation for services we offer to Ping An Consumer Finance, our service fees will be determined on a cost-plus basis with a reasonable profit margin. When there is a market comparable to services we offer to Ping An Consumer Finance, our service fees shall be within the range of the prevailing market rates applicable to such services. We will also ensure that the terms of supplying services to Ping An Consumer Finance are fair and reasonable.

Historical amounts

In respect of the shareholder deposit services provided by Ping An Consumer Finance to us, the maximum daily balance of the principal amount of deposits placed by us with them was nil, RMB3.0 billion and RMB9.5 billion, and the interest income from Ping An Consumer Finance was nil, RMB34.3 million and RMB215.9 million, for each of the years ended December 31, 2020, 2021 and 2022, respectively.

In respect of the General Services provided by us to Ping An Consumer Finance, the transaction amount paid by Ping An Consumer Finance to us was RMB131.0 million, RMB187.7 million and RMB512.2 million for each of the years ended December 31, 2020, 2021 and 2022, respectively.

In respect of the guarantee services provided by us for Ping An Consumer Finance, the monthly average balance of the principal amount guaranteed by us for the clients of Ping An Consumer Finance as of December 31, 2020, 2021 and 2022 was RMB357.0 million, RMB1,937.0 million and RMB5,831.8 million, respectively, and the guarantee service fees received by us from them for each of the years ended December 31, 2020, 2021 and 2022 was RMB7.7 million, RMB53.6 million and RMB270.4 million, respectively.

CONNECTED TRANSACTIONS

Annual caps

The following table sets forth the proposed annual caps for the maximum transaction amounts/balance of the shareholder deposit services that we will receive from, and different services that we will provide for Ping An Consumer Finance under the Ping An Consumer Finance Collaboration Agreement:

	Proposed Annual Cap for the Year Ending December 31,		
	2023	2024	2025
	<i>(RMB in millions)</i>		
Shareholder Deposit Services			
Maximum daily balance of principal amount of deposits to be placed by us with Ping An Consumer Finance	9,500.0	9,500.0	9,500.0
Interest income to be received by us from Ping An Consumer Finance	332.5	332.5	332.5
General Services			
Fees to be paid by Ping An Consumer Finance to us	774.4	956.0	1,176.8
Guarantee Services			
Maximum monthly average balance of principal amount to be guaranteed by us for the clients of Ping An Consumer Finance	8,245.0	11,160.0	14,968.0
Guarantee service fees to be received by us from Ping An Consumer Finance	424.5	559.4	749.3

Basis of caps

Shareholder deposit services—maximum daily balance of principal amount of deposits to be placed by us with Ping An Consumer Finance

The proposed annual caps of the maximum daily balance of principal amount of deposits to be placed by us with Ping An Consumer Finance have been estimated based on the following factors:

- (i) the historical amounts under the existing shareholder deposit service arrangements during the Track Record Period; and
- (ii) the current and expected future cash flow position of the Company in light of our estimated scale and growth of business operation and demand for shareholder deposit services in the future.

Shareholder deposit services—interest income to be received by us from Ping An Consumer Finance

The proposed annual caps for the interest income to be received by us from Ping An Consumer Finance are determined based on the expected prevailing market interest rates on our expected outstanding deposit amount.

CONNECTED TRANSACTIONS

General Services—fees to be paid by Ping An Consumer Finance to us

The proposed annual caps have been estimated based on the following factors:

- (i) the historical transaction amounts and the growth trend under the existing business cooperation and services provision arrangements between us and Ping An Consumer Finance during the Track Record Period; and
- (ii) the expected demand for the General Services from Ping An Consumer Finance taking into account the expected development and growth in the business and operational scale which is supported by favorable government policies on stimulating consumption in the PRC.

Guarantee services—maximum monthly average balance of principal amount to be guaranteed by us for the clients of Ping An Consumer Finance

The above proposed annual caps for the maximum monthly average balance of principal amount guaranteed by us for the clients of Ping An Consumer Finance are determined based on the historical transaction amounts under the existing guarantee service arrangements, and the expected increase in Ping An Consumer Finance's demand for our guarantee services taking into account the expected development and growth in Ping An Consumer Finance's business which is supported by favorable government policies on stimulating consumption in the PRC.

Guarantee services—guarantee service fees to be received by us from Ping An Consumer Finance

The above proposed annual caps for the guarantee service fees to be received by us from Ping An Consumer Finance are determined based on the historical transaction amounts under the existing guarantee service arrangements, and the expected increase in Ping An Consumer Finance's demand for our guarantee services taking into account the expected development and growth in Ping An Consumer Finance's business which is supported by favorable government policies on stimulating consumption in the PRC.

Listing Rules implications

In respect of the transactions under the Ping An Consumer Finance Collaboration Agreement when aggregated with the same types of transactions under (i) the Provision of Services and Products Framework Agreement, and (ii) the Financial Services Framework Agreement, as the highest applicable percentage ratio for the year ending December 31, 2023 calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules is expected to exceed 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules, the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Hong Kong Listing Rules.

CONNECTED TRANSACTIONS

8. Contractual Arrangements

Background

As disclosed in the section headed “Contractual Arrangements” in this listing document, due to regulatory restrictions on foreign ownership in the PRC, we conduct certain businesses through the Consolidated Affiliated Entities in the PRC. We do not hold any equity interests in the Consolidated Affiliated Entities. The Contractual Arrangements among the VIEs, the WFOE Entities and their Registered Shareholders, including Ping An Financial Technology, enable us to (i) receive substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by the WFOEs to the VIEs; (ii) exercise effective control over the Consolidated Affiliated Entities through the VIEs; and (iii) hold an exclusive option to purchase all or part of the equity interests and/or assets in the VIEs when and to the extent permitted by PRC laws. See the section headed “Contractual Arrangements” for further details.

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon Listing as Ping An Financial Technology is one of the Controlling Shareholders and is therefore a connected person of the Group.

The Directors (including the independent non-executive Directors) are of the view that (i) the Contractual Arrangements and the transactions contemplated therein are fundamental to the Group’s legal structure and business; and (ii) such transactions have been and will be entered into in the ordinary and usual course of business of the Group on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by the Consolidated Affiliated Entities and any member of the Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that the Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company if such transactions are subject to strict compliance with the requirements under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent shareholders’ approval requirements.

WAIVER APPLICATIONS FOR NON-EXEMPT AND PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Non-Exempt and Partially Exempt Continuing Connected Transactions

In respect of the Property Leasing Framework Agreement, since the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2025 are expected to be exceed 0.1% but less than 5% on an annual basis. Accordingly, the

CONNECTED TRANSACTIONS

transactions contemplated thereunder are subject to the announcement, annual review and reporting requirements under Chapter 14A of the Listing Rules.

In respect of the Provision of Services and Products Framework Agreement, the Services and Products Purchasing Framework Agreement, the Financial Services Framework Agreement, the 2023 Services Purchasing Agreement (when aggregated with the relevant transactions under the Services and Products Purchasing Framework Agreement), and the Ping An Consumer Finance Collaboration Agreement (when aggregated with the relevant transactions under (i) the Provision of Services and Products Framework Agreement, and (ii) the Financial Services Framework Agreement), since the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2025 are expected to be exceed 5% on an annual basis. Accordingly, the transactions contemplated thereunder are subject to the announcement, circular, independent Shareholders' approval, annual review and reporting requirements under Chapter 14A of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent Shareholders' approval requirements (in case applicable) under the Listing Rules in respect of these transactions, provided that the total amount of transactions for each of the three years ending December 31, 2025 will not exceed the relevant proposed annual caps as set out above. The independent non-executive Directors and auditors of the Company will review whether the transactions under the above continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

Contractual Arrangements

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject, however, to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of the independent Shareholders. Once the approval of the

CONNECTED TRANSACTIONS

independent Shareholders has been obtained for any change, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of the Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits and flexibility

The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) the Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests and/or assets in the Consolidated Affiliated Entities for a nominal price or the lowest price as permitted under applicable PRC laws, (ii) the business structure under which the net profit generated by the Consolidated Affiliated Entities is substantially retained by the Group, such that no annual cap shall be set on the amount of service fees payable to the WFOEs by the Consolidated Affiliated Entities under the Exclusive Business Cooperation Agreements, and (iii) the Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, such framework may be renewed and/or reproduced without an announcement, circular, or obtaining the approval of the Shareholders (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the shareholders or directors of, or of their shareholdings in, the Consolidated Affiliated Entities, or (iii) in relation to any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of the Group.

The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of the Company and transactions between these connected persons and the Group (other than those under similar contractual arrangements) shall comply with Chapter 14A of the Listing Rules.

This condition is subject to relevant PRC laws, regulations and approvals. Any such renewed or reproduced agreements will be on substantially the same terms and conditions as the existing Contractual Arrangements.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in the Company's annual report in accordance with the relevant provisions of the Listing Rules.

CONNECTED TRANSACTIONS

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in the Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, and (iii) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.
- The Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to the Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities will be treated as our subsidiaries, and at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of the Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and the Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- The Consolidated Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide the Group's management and the Company's auditor full access to its relevant records for the purpose of the Company's auditor's review of the connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

DIRECTORS' CONFIRMATION

The Directors (including independent non-executive Directors) are of the view that (i) the non-exempt and partially exempt continuing connected transactions set out above have been and will be entered into in the ordinary and usual course of business of the Company on normal commercial terms or terms better to

CONNECTED TRANSACTIONS

us, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the proposed annual caps for these transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

JOINT SPONSORS' CONFIRMATION

The Joint Sponsors are of the view that (i) the non-exempt and partially-exempt continuing connected transactions have been and will be entered into in the Company's ordinary and usual course of business on normal commercial terms or terms better to the Company, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the proposed annual caps for these transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONTRACTUAL ARRANGEMENTS

BACKGROUND

We conducted certain business through the Contractual Arrangements. For each of the three years ended December 31, 2022, total income generated through the Consolidated Affiliated Entities amounted to RMB1.6 billion, RMB1.6 billion and RMB1.0 billion, representing 3.0%, 2.5% and 1.7% of our total income, respectively. The Consolidated Affiliated Entities were established under the laws of the PRC. A summary of our businesses/operations conducted through the Consolidated Affiliated Entities that are subject to foreign investment restriction and restriction on changes in shareholders and beneficial owners in accordance with applicable PRC laws, regulations and regulatory requirements is set out below (the “**Restricted Businesses**”):

Restricted Businesses	Our businesses/operations and the applicable PRC laws, regulations and regulatory requirements
<i>Restricted category under the 2021 Negative List</i>	According to the 2021 Negative List, provision of value-added telecommunications services (except for ecommerce, domestic multi-party communications, storage-forwarding and call centers) falls within the ‘restricted’ category, and foreign investors are generally not allowed to own more than 50% of the equity interest in a value-added telecommunication service provider with certain exceptions.
Value-added telecommunication services	

Article 10 of the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (2016 Revision) (外商投資電信企業管理規定(2016修訂) (the “**FITE Regulations**”) further provided that a major foreign investor that invests in a value-added telecommunication service provider in the PRC must possess prior experience in, and a proven track record of good performance of, operating value-added telecommunication businesses (the “**ICP Qualification Requirements**”). On April 7, 2022, the State Council issued the Decision to Amend and Abolish Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》), which made amendments to the FITE Regulations. Pursuant to the amended FITE Regulations which took effect on May 1, 2022, the ICP Qualification Requirements for major foreign investors that invest in PRC companies conducting value-added telecommunication business set out in the FITE Regulations were removed. However, as of the date of this document, further implementation regulations or administrative guidelines in relation to the amended FITE Regulations have not yet been promulgated by the relevant PRC regulatory authorities.

CONTRACTUAL ARRANGEMENTS

Restricted Businesses

Our businesses/operations and the applicable PRC laws, regulations and regulatory requirements

Shenzhen Lufax Internet Information, a Consolidated Affiliated Entity of the Company and a wholly owned by Shenzhen Lufax Enterprise Management, one of our VIEs, started to primarily operate our new SBO value-added services platform, branded Ludiantong (陸店通) from November 2022. This platform is aimed to offer various value-added platform services, including without limitation business consultation and sharing, business partner introduction and communication, online store promotion and other operation support services.

The services provided or to be developed by Shenzhen Lufax Internet Information fall into commercial value-added telecommunication business under the applicable PRC laws, and thus a Value-added Telecommunication Business Operation License (增值電信業務經營許可證) (“**ICP License**”) is required. Shenzhen Lufax Internet Information currently holds an ICP License.

On March 7, 2023, we and our PRC Legal Adviser conducted a consultation with Shenzhen Communication Administration (深圳市通信管理局), being the competent authority in Shenzhen to administrate the communication industry as advised by our PRC Legal Adviser, during which their senior officer confirmed that: (a) despite the amendment of the FITE Regulations which took effect on May 1, 2022, in practice, it is still difficult for a foreign-invested enterprise to obtain approval for an application for an ICP License in current practice regardless of the level of equity interest held by a foreign investor; and (b) if a foreign investor directly or indirectly invests in Shenzhen Lufax Internet Information and then this company applies for an ICP License, it will be unlikely for its application for an ICP License to be approved based on the current practice. Furthermore, as of the Latest Practicable Date, the Guideline for the Examination and Approval of the Telecommunication Business License which was issued on the official website of the MIIT, has not been updated to reflect the recent regulatory development. As advised by our PRC Legal Adviser, the regulatory regime in respect of the ICP License has no material change in practice despite the amendment of the FITE Regulations which took effect on May 1, 2022. On the basis of the above and our PRC Legal Adviser’s experience, it is very difficult in current practice for Shenzhen Lufax Internet Information to obtain any ICP License as a Sino-foreign equity

CONTRACTUAL ARRANGEMENTS

Restricted Businesses

Our businesses/operations and the applicable PRC laws, regulations and regulatory requirements

joint venture or wholly-owned foreign investment entity. Based on our PRC Legal Adviser's advice and experience above, it is impossible in current practice for Shenzhen Lufax Internet Information to maintain the existing ICP License if we hold direct or indirect equity interests in such entity.

In addition, Shenzhen Lufax Internet Information had very limited contribution to the Group's financial performance during the Track Record Period. In the three years ended December 31, 2022, (a) Shenzhen Lufax Internet Information's total income amounted to RMB54.7 million, RMB169.3 million and RMB55.6 million, representing 0.1%, 0.3%, 0.1% of the total income of the Group, respectively, and (b) Shenzhen Lufax Internet Information's net profit amounted to RMB1.9 million, RMB21.4 million and RMB10.0 million, representing 0.02%, 0.1% and 0.1% of the net profit of the Group, respectively. As of December 31, 2020, 2021 and 2022, Shenzhen Lufax Internet Information had net assets of RMB145.5 million, RMB166.8 million and RMB177.0 million, representing 0.2%, 0.2% and 0.2% of the net assets of the Group, respectively.

Restricted change in shareholder and beneficial owner

Private investment fund management business

We conduct our private investment fund management business ("**Investment Fund Management Business**") through Shenzhen Ping An Huifu Asset Management Limited (深圳平安匯富資產管理有限公司) ("**Ping An Huifu**"), which is a Consolidated Affiliated Entity and indirectly wholly-owned by Shanghai Xionguo, one of our VIEs, and is controlled by us through contractual arrangements. Ping An Huifu is registered as a private investment fund manager in the PRC. Pursuant to the Measures for the Registration and Filing of Private Investment Fund Managers and Funds (Trial) 《私募投資基金管理人登記和基金備案辦法(試行)》, any change in the controller or controlling shareholder of Ping An Huifu is required to be reported to the Asset Management Association of China ("**AMAC**"). Any failure to complete such report will have an adverse impact on the qualification of Ping An Huifu as a private investment fund manager, and Ping An Huifu may be subject to the relevant administrative measures imposed by the relevant authorities of AMAC.

CONTRACTUAL ARRANGEMENTS

Restricted Businesses

Our businesses/operations and the applicable PRC laws, regulations and regulatory requirements

As at the Latest Practicable Date, the registration system on the website of AMAC for changes in controlling shareholder and/or de facto controller in respect of Ping An Huifu is still suspended. Our PRC Legal Adviser had also made an enquiry on a named basis with the telephone hotline of AMAC on March 16, 2023, which as advised by our PRC Legal Adviser is competent to supervise the private fund management industry, who confirmed that the online system of AMAC does not currently process any registration of any change in controlling shareholder and/or de facto controller of a private investment fund manager which is in the same classification as Ping An Huifu. Given the transfer restrictions arising from the AMAC online registration system, our PRC Legal Adviser is of the view that in order to maintain the qualifications of Ping An Huifu in compliance with applicable PRC laws and the authorities' requirements, it is necessary for us to keep Ping An Huifu held under its current shareholding structure and held as part of our Contractual Arrangements.

We will periodically monitor the registration system on the website of AMAC and/or consult our PRC Legal Adviser with respect to the status of any applicable regulations and assess the feasibility and practicability of transferring Ping An Huifu and its direct and indirect controlling shareholders out of the relevant VIE.

In addition, we operate certain business through the Contractual Arrangements which are not subject to foreign investment restriction under the applicable PRC laws, regulations and regulatory requirements (the “**Non-restricted Businesses**”) through the Consolidated Affiliated Entities as set out below. A summary of the Non-restricted Business and the reasons for adoption of Contractual Arrangements for the Non-restricted Business are set out below.

Non-restricted Businesses

Wealth management business including its mobile application Shanghai Lufax App (陸金所App)

Our business/operations

As an integrated part of our businesses, the Group also operates an online wealth management business through Shanghai Lufax, which is indirectly wholly owned by Shanghai Xionguo and is controlled by us through contractual arrangements. Shanghai Lufax currently primarily operates such online wealth management business through its mobile application Shanghai Lufax App (陸金所App). As advised by our PRC Legal Adviser, the business operated by Shanghai Lufax is not subject to any foreign ownership restriction or prohibition under the PRC laws.

CONTRACTUAL ARRANGEMENTS

Non-restricted Businesses

Our business/operations

Since Shanghai Lufax currently provides services to a group of corporate customers, which mainly are financial institutions, transferring the current businesses of Shanghai Lufax out of the Contractual Arrangements would involve, among others, the novation and re-execution of the customer contracts with those corporate customers currently in effect. As these customer contracts have different terms of service and expiration dates, the foregoing novation and re-execution of those customer contracts would require the Company to individually contact all parties involved in every contract and the costs involved would outweigh the benefits. The foregoing contracts are expected to expire by 2024 in accordance with their existing terms and the renewal of such contracts upon their expiration will be subject to mutual agreement between the relevant parties, which will depend on their commercial considerations and negotiation. Shanghai Lufax's total income for the year ended December 31, 2022 was attributed to 66 customers. Taking into account the above, it would be impractical and unduly burdensome to transfer the businesses of Shanghai Lufax out of the Contractual Arrangements.

In addition, Shanghai Lufax had very limited contribution to the Group's financial performance during the Track Record Period. In the three years ended December 31, 2022, Shanghai Lufax's total income amounted to RMB626.5 million, RMB781.0 million and RMB453.9 million, representing 1.2%, 1.3% and 0.8% of the total income of the Group, respectively. Shanghai Lufax's net profit for the year ended December 31, 2021 amounted to RMB5.4 million, representing 0.03% of the net profit of the Group. Shanghai Lufax recorded a net loss of RMB16.2 million and RMB33.7 million in 2020 and 2022, respectively. As of December 31, 2020, 2021 and 2022, Shanghai Lufax had net assets of RMB601.1 million, RMB602.3 million and RMB570.4 million, representing 0.7%, 0.6% and 0.6% of the net assets of the Group, respectively. We expect that Shanghai Lufax's total number of subsisting contracts with its customers and total income will decrease in the future.

Facilitation of financial asset exchange and financial advisory businesses

The Group engages in the facilitation of financial assets exchange and financial advisory business through Chongqing Exchange, which is an indirect wholly owned subsidiary of Shenzhen Lufax Enterprise Management and controlled by the Group through contractual arrangements. Chongqing Exchange also provides financial advisory services through its wholly owned subsidiary CQYZS (together with Chongqing Exchange, "**Chongqing Exchange Entities**"). As advised by our PRC Legal Adviser, the businesses operated by Chongqing Exchange Entities are not subject to foreign ownership restriction under the PRC laws.

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Non-restricted Businesses

Our business/operations

Chongqing Exchange Entities had very limited contribution to the Group's financial performance during the Track Record Period. In the three years ended December 31, 2022, Chongqing Exchange's total income amounted to RMB111.2 million, RMB(8.5) million and RMB12.6 million, representing 0.2%, nil and 0.02% of the total income of the Group, respectively. In the two years ended December 31, 2022, Chongqing Exchange's net loss amounted to RMB141.3 million and RMB433.7 million, respectively, whereas it generated a net profit of RMB15.9 million in 2020, representing 0.1% of the net profit of the Group in the same year. As of December 31, 2020, 2021 and 2022, Chongqing Exchange had net assets of RMB670.2 million, RMB531.4 million and RMB97.1 million, representing 0.8%, 0.6% and 0.1% of the net assets of the Group, respectively. In the three years ended December 31, 2022, CQYZS' total income amounted to RMB148.1 million, RMB53.6 million and RMB(9.7) million, representing 0.3%, 0.1% and nil of the total income of the Group, respectively. In the year ended December 31, 2020, CQYZS generated a net profit of RMB36.5 million, representing 0.3% of the net profit of the Group, whereas its net loss amounted to RMB378.8 million and RMB162.5 million in 2021 and 2022, respectively. As of December 31, 2020, 2021 and 2022, CQYZS had net liabilities of RMB490.8 million, RMB869.5 million and RMB1,032.1 million, respectively.

Our core business is to enable both borrowers and institutional partners through our retail credit and enablement business model. Shanghai Lufax primarily operates online wealth management business through its mobile application Shanghai Lufax App (陸金所App). The principal business of Chongqing Exchange Entities is the facilitation of financial assets exchange and financial advisory business. The nature of the foregoing Non-restricted Businesses operated by Shanghai Lufax and Chongqing Exchange Entities and the licensing requirements for such businesses are distinct from our core business. Furthermore, such Non-restricted Businesses are not part of the Group's strategic focus and the Company will not further expand such Non-restricted Businesses. The Non-restricted Business in aggregate accounted for less than 3% of the total income, net profit and net assets of the Group for the three years ended December 31, 2022. We will continue to operate our core retail credit and enablement business through WFOEs and their subsidiaries. In order to adhere to the "narrowly tailored" principle under HKEX-LD43-3, we will continuously monitor by implementing adequate safeguards and internal review procedures the proportion of the total income generated from the Non-restricted Businesses to ensure the Non-restricted Businesses under the Contractual Arrangements will remain immaterial after the Listing and their annual total income contribution relative to the Group will be below 5%. The Company will review the overall financial performance of the Group and the income contribution of the Non-restricted Businesses on a quarterly basis. The auditor will also review the annual total income contribution of the Non-restricted Businesses annually and we will make adequate disclosure on an ongoing basis in our annual report after the Listing. In addition to the foregoing safeguards, we have undertaken to the Stock Exchange that the Non-restricted Businesses will be transferred out of the

CONTRACTUAL ARRANGEMENTS

Contractual Arrangements in the unlikely event that the annual total income contribution of the Non-restricted Businesses is expected to account for 5% or above.

In addition, Shanghai Xiongguo and Shenzhen Lufax Enterprise Management, directly and indirectly, hold ten other Consolidated Affiliated Entities, (i) nine of which currently have no business operations and (ii) one of which will be deregistered in accordance with the PRC laws. We will ensure those Consolidated Affiliated Entities with no business operations will only engage in businesses that are subject to foreign investment restriction under the applicable PRC laws if the Company plans to conduct any businesses through such entities.

The Group has also made the following investments in its ordinary course of business through Shanghai Xiongguo and Shenzhen Lufax Enterprise Management:

- (a) A financial investment in a private equity fund in the PRC (the “**Financial Investment**”), which invested in preference shares of two project companies. The invested amounts and investment returns from the two investment projects have been distributed to us in accordance with the relevant investment agreements. We expect to exit the private equity fund after the two investment projects have completed their respective distribution procedures to all their investors, which are out of our control.
- (b) Passive minority investments in a fund and an entity in the PRC (the “**Minority Investments**”). It is impracticable for the Group to transfer our interests in such fund and entity without the prior consent and assistance of the other fund partners and joint venture partners (as applicable) pursuant to the relevant investment agreements. The communication process with the relevant partners with respect to our intention to transfer our investment interests out of the Contractual Arrangements, as well as the results of such communication, are out of our control.

These investments are immaterial to our financial and operating status, by reason that:

- (a) the investments in such entities do not form part of, or relate to, the principal business of the Group;
- (b) the invested amounts and investment returns from the two investment projects of the private equity fund have already been distributed to us in accordance with the relevant investment agreements;
- (c) the Minority Investments are accounted for using equity method accounting or as financial assets at fair value through other comprehensive income, and the financial results of such investments are not consolidated in the financial statements of the Group and such entities do not form part of the Group; and
- (d) the investments in such entities, on an aggregated basis, accounted for less than 0.3% of the Company’s total assets as of December 31, 2022.

CONTRACTUAL ARRANGEMENTS

The businesses conducted through the Contractual Arrangements had very limited contribution to the Group's financial performance during the Track Record Period. In the three years ended December 31, 2022, the total income attributable to the businesses conducted through the Contractual Arrangements amounted to RMB1.6 billion, RMB1.6 billion and RMB1.0 billion, respectively, representing 3.0%, 2.5%, 1.7% of the total income of the Group, while the total income attributable to our businesses other than those conducted through the Contractual Arrangements amounted to RMB50.5 billion, RMB60.3 billion and RMB57.1 billion, respectively, representing 97.0%, 97.5% and 98.3% of the total income of the Group. In the three years ended December 31, 2022, the businesses conducted through the Contractual Arrangements recorded a net loss of RMB142.1 million, RMB646.9 million and RMB393.7 million, respectively, while our businesses other than those conducted through the Contractual Arrangements generated a net profit of RMB12.4 billion, RMB17.4 billion and RMB9.2 billion, respectively.

Based on the above reasons and taking into account the undertaking mentioned above and the advice of our PRC Legal Adviser in relation to the PRC regulatory regime aforementioned in this section, the Directors are of the view that the Contractual Arrangements are narrowly tailored, as they are used to achieve our business purposes and minimize the potential conflict with relevant PRC laws and regulations, and that it would be impracticable for us to further narrow the scope of our businesses included within the Contractual Arrangements. Having taking into account the aforementioned view of our Directors and the advice of our PRC Legal Adviser in relation to the PRC regulatory regime aforementioned in this section, which such advice of our PRC Legal Adviser is concurred by the PRC legal adviser of the Joint Sponsors, and based on the independent due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would cause them to question the aforementioned view of our Directors.

For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, please see the section headed "Regulatory Overview."

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Overview

Our Consolidated Affiliated Entities are currently our VIEs and their respective subsidiaries, which were all established under the PRC laws. As described above, investment in certain areas of the industries in which we currently operate and may operate are subject to restrictions under current PRC laws and regulations. Accordingly, we, through the WFOE Entities, entered into a series of contractual arrangements with the VIEs and their respective shareholders (as applicable) to assert management control over, and to enjoy all economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities.

In order to comply with PRC laws, regulations and regulatory requirements, we have gained control over our Consolidated Affiliated Entities by entering into a series of contractual arrangements in March 2015 and November 2018 and further amended the contractual arrangements in February 2023. We gained control over (i) Shenzhen Lufax Enterprise Management and its subsidiaries by entering into a series of

CONTRACTUAL ARRANGEMENTS

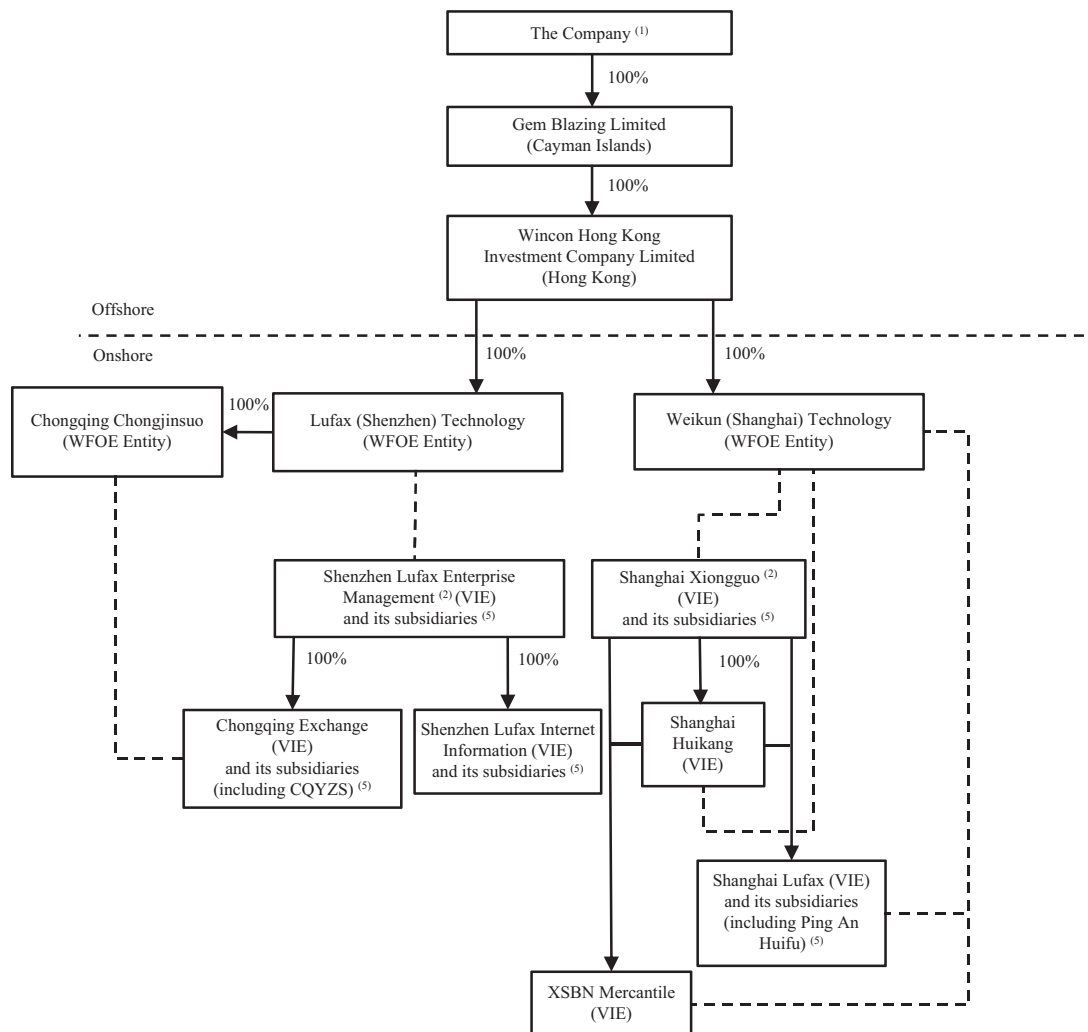
contractual arrangements through Lufax (Shenzhen) Technology, the Registered Shareholders and the individual shareholders of Xinjiang Tongjun Equity Investment Limited Partnership, Shanghai Lanbang Investment Limited Liability Company and Linzhi Jinsheng Investment Management Limited Partnership (the “**Individual Shareholders**”), (ii) Shanghai Xionguo and its subsidiaries by entering into a series of contractual arrangements through Weikun (Shanghai) Technology, the Registered Shareholders and the Individual Shareholders, (iii) Chongqing Exchange and its subsidiaries by entering into a series of contractual arrangements through Chongqing Chongjinsuo, the direct shareholder of Chongqing Exchange (the “**Direct Shareholders**”), the Registered Shareholders and the Individual Shareholders, (iv) Shanghai Huikang and its subsidiaries by entering into a series of contractual arrangements through Weikun (Shanghai) Technology, Shanghai Xionguo, the Registered Shareholders and the Individual Shareholders, (v) Shanghai Lufax and its subsidiaries by entering into a series of contractual arrangements through Weikun (Shanghai) Technology, Shanghai Xionguo, Shanghai Huikang, the Registered Shareholders and the Individual Shareholders, and (vi) XSBN Mercantile by entering into a series of contractual arrangements through Weikun (Shanghai) Technology, Shanghai Xionguo, Shanghai Huikang, the Registered Shareholders and the Individual Shareholders.

Pursuant to the Contractual Arrangements, all substantial and material business decisions of the VIEs will be instructed and supervised by the Group, through the WFOE Entities, and all risks arising from the business of the VIEs are also effectively borne by the Group as a result of the VIEs being treated as wholly-owned subsidiaries of the Company. Accordingly, the Directors consider that it is fair and reasonable for the WFOE Entities to be entitled to all economic benefits generated by the business operated by the VIEs through the Contractual Arrangements as a whole. In addition, the Directors are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group’s legal structure and business operations and would allow and ensure sound and effective operation of the Company and the businesses operated by the Consolidated Affiliated Entities in compliance with applicable PRC laws and regulations. The Directors also believe that the Group’s structure whereby the financial results of the VIEs are consolidated into the Company’s financial statements as subsidiaries, and the flow of economic benefit of their businesses to the Group pursuant to the Contractual Arrangements, would also be in the best interest of the Company.

CONTRACTUAL ARRANGEMENTS

Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from our VIEs to the Group under the Contractual Arrangements:



Notes:

- (1) The Company primarily operates its businesses through its subsidiaries in the PRC. For simplicity, the above diagram includes the Company’s subsidiaries related to the Contractual Arrangements only. For details of the Company’s corporate structure of the principal subsidiaries and VIEs, see “History and Corporate Structure.”
- (2) Each of Shanghai Xiongguo and Shenzhen Lufax Enterprise Management is owned by Ping An Financial Technology, Xinjiang Tongjun Equity Investment Limited Partnership, Shanghai Lanbang Investment Limited Liability Company and Linzhi Jinsheng Investment Management Limited Partnership (the “Registered Shareholders”) as to 49.99%, 29.55%, 18.29% and 2.17%, respectively.
- (3) “—>” denotes legal ownership.
- (4) “--” denotes the contractual relationships among the WFOE Entities, the VIEs and the Registered Shareholders:
 - a) provision of business support and technical and consulting services by the WFOE Entities to the VIEs pursuant to the exclusive business cooperation agreements;

CONTRACTUAL ARRANGEMENTS

- b) the payment of service fees by the VIEs to the WFOE Entities, which represents the flow of economic benefits from the VIEs to the WFOE Entities, pursuant to the exclusive business cooperation agreements;
 - c) the WFOE Entities' control over the VIEs through the voting proxy agreement to exercise all shareholders' rights of the Registered Shareholders in the VIEs;
 - d) the WFOE Entities' exclusive options to acquire all or part of the equity interests in the VIEs; and
 - e) share pledges provided by the Registered Shareholders over the equity interests in the VIEs in favor of the WFOE Entities.
- (5) As disclosed above, Shanghai Xiongguo and Shenzhen Lufax Enterprise Management, directly and indirectly, hold ten other subsidiaries in the PRC, (i) nine of which currently have no business operations and (ii) one of which will be deregistered in accordance with the PRC laws.

Circumstances in which we will unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the Restricted Businesses operated by the Consolidated Affiliated Entities, to the extent permissible, and we will directly hold the maximum percentage of ownership interest permissible under the relevant PRC laws.

Summary of the material terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Business Cooperation Agreements

Under each of the exclusive business cooperation agreements between the relevant WFOE Entity and the relevant VIE (the “**Exclusive Business Cooperation Agreements**”), the relevant WFOE Entity has the exclusive right to provide the relevant VIE with complete business support and technical and consulting services, which include, but are not limited to, technical services, network support, business consultations, equipment or leasing, marketing consultancy, system integration, product research and development, and system maintenance.

Without the relevant WFOE Entity's prior written consent, the relevant VIE shall not accept any consulting and/or services covered by the relevant Exclusive Business Cooperation Agreement from any third party. The VIEs agreed to pay service fees based on services provided and market conditions on a quarterly basis. The WFOE Entities own the intellectual property rights arising out of the services performed under the Exclusive Business Cooperation Agreements. Unless the WFOE Entities terminate the Exclusive Business Cooperation Agreements or pursuant to other provisions of the Exclusive Business Cooperation Agreements, the Exclusive Business Cooperation Agreements will remain effective for ten years and will be automatically renewed for another five years unless terminated by the WFOE Entities with 30 days' advance written notice.

Exclusive Asset Option Agreements

Under each of the exclusive asset option agreements entered into between the relevant WFOE Entity, the relevant VIE, the relevant Direct Shareholder (if applicable), the Registered Shareholders and the

CONTRACTUAL ARRANGEMENTS

Individual Shareholders (the “**Exclusive Asset Option Agreements**”), the relevant VIE, relevant Direct Shareholder (if applicable), Registered Shareholders and Individual Shareholders have irrevocably and unconditionally granted the relevant WFOE Entity or any third party designated by such WFOE Entity an irrevocable and exclusive option to purchase all or part of their respective assets in the relevant VIE at the WFOE Entity’s sole and absolute discretion. The purchase price of assets in the VIEs will be the higher of (i) the net book value of the assets to be purchased and (ii) the lowest price permitted by applicable PRC laws. Without the relevant WFOE Entity’s prior written consent, the relevant VIE shall not, among other things, in any manner supplement, change or amend their articles of association, increase or decrease the registered capital, sell, transfer, mortgage or dispose of or allow any encumbrance of security interest on their assets, business or revenue, enter into any material contract outside the ordinary course of business, consolidate with, acquire or invest in any person or distribute dividends. The Exclusive Asset Option Agreements will remain effective for ten years and will be automatically renewed for another five years unless terminated by the WFOE Entities with 30 days’ advance written notice.

Exclusive Equity Interest Option Agreements

Under each of the exclusive equity interest option agreements entered into between the relevant WFOE Entity, the relevant VIE, the relevant Direct Shareholder (if applicable), the Registered Shareholders and the Individual Shareholders (the “**Exclusive Equity Interest Option Agreements**”), the Registered Shareholders or the relevant Direct Shareholder (as applicable) have irrevocably and unconditionally granted the relevant WFOE Entity or any third party designated by such WFOE Entity an irrevocable and exclusive option to purchase all or part of their respective equity interests in the relevant VIE at the WFOE Entity’s sole and absolute discretion. The purchase price of equity interests in the relevant VIE will be the higher of (i) the total capital contribution to the registered capital of the relevant VIE multiplied by the percentage of equity interests in such VIE purchased, (ii) the amount of loan (including the principal and interest) provided by the relevant WFOE Entity to the Registered Shareholders or the relevant Direct Shareholder (as applicable) multiplied by the percentage of equity interests in such VIE purchased, if applicable, and (iii) the lowest price permitted by applicable PRC laws. Without the relevant WFOE Entity’s prior written consent, the relevant VIE shall not, among other things, (i) in any manner supplement, change or amend their articles of association; (ii) increase or decrease the registered capital; (iii) sell, transfer, mortgage or dispose of or allow any encumbrance of security interest on their assets, business or revenue (other than the financial service transactions conducted in the ordinary course of business); (iv) enter into any material contract which carries a value exceeding RMB100,000 outside the ordinary course of business; (v) merge, consolidate with, acquire or invest in any person or sell assets with a value higher than RMB100,000 outside the ordinary course of business; (vi) distribute dividends; (vii) incur, inherit, guarantee or allow the existence of any debt, except for debts incurred in the ordinary course of business other than through loans; or (viii) provide any person with any loan or credit or guarantee in any form outside the ordinary course of business. The Registered Shareholders, the Individual Shareholders and the relevant Direct Shareholder (if applicable) also undertake that, among others, they will not sell, transfer, mortgage or otherwise dispose of any legal or beneficial interest of their respective equity interests in the VIEs to any third party or allow any encumbrance of any security interest on their equity interests within the term of these agreements. The Exclusive Equity Interest Option Agreements will remain effective for ten years and will be automatically renewed for another five years unless terminated by the WFOE Entities with 30 days’ advance written notice.

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Share Pledge Agreements

Under each of the share pledge agreements entered into between the relevant WFOE Entity, the relevant VIE, the relevant Direct Shareholder (if applicable), the Registered Shareholders and the Individual Shareholders (the “**Share Pledge Agreements**”), each of the Registered Shareholders or relevant Direct Shareholder (as applicable) has pledged all its equity interest in the relevant VIE to the relevant WFOE Entity as collateral security for the prompt and complete performance of their respective obligations under the relevant Exclusive Business Cooperation Agreement, Voting Proxy Agreement, Exclusive Asset Option Agreement, Exclusive Equity Interest Option Agreement and Letters of Undertakings (the “**Cooperation Agreements**”). If the relevant VIE or any of the Registered Shareholders, Individual Shareholders and relevant Direct Shareholder (if applicable) breach any obligations under the Cooperation Agreements, the relevant WFOE Entity, as a pledgee, will be entitled to dispose of the pledged equity interests and have priority to be compensated by the proceeds from the disposal of the pledged equity interests. The pledges contemplated under the Share Pledge Agreements constitute the first-priority security interests in the pledged equity interest. Each of the Registered Shareholders or relevant Direct Shareholder (as applicable) agreed that before its obligations under the Contractual Arrangements are discharged, it will not transfer the pledged equity interests or place or permit the existence of any security interest or other encumbrance on property rights that may affect on the relevant pledgee’s rights and interests in the pledged equity interests under the relevant Share Pledge Agreement without the prior written consent of the relevant WFOE Entity. The Share Pledge Agreements will remain effective until the VIEs, the Direct Shareholders (if applicable), the Registered Shareholders and Individual Shareholders fully discharge their obligations under the Contractual Arrangements. We have completed the registration of the Share Pledge Agreement in relation to Shenzhen Lufax Enterprise Management, Shanghai Xiongguo, Shanghai Huikang, Shanghai Lufax and Chongqing Exchange with the relevant office of the Administration for Market Regulation of China in 2015 and 2019. In light of the amendments to the Contractual Arrangements, we intend to complete the registration of each of the Share Pledge Agreements in relation to Shanghai Xiongguo, Shanghai Huikang and Shanghai Lufax as soon as practicable.

Voting Proxy Agreements

Under each of the voting proxy agreements entered into between the relevant WFOE Entity, the relevant VIE, the relevant Direct Shareholder (if applicable), the Registered Shareholders and the Individual Shareholders (the “**Voting Proxy Agreements**”), each of the Registered Shareholders or relevant Direct Shareholder (as applicable) authorizes (i) the relevant WFOE Entity; (ii) any directors authorized by the relevant WFOE Entity and their successors; and (iii) any liquidator replacing the directors of the relevant WFOE Entity, to exercise on behalf of such Registered Shareholders or relevant Direct Shareholder (as applicable) all of their rights as shareholders of the relevant VIE, including but not limited to the right to propose, convene and attend shareholder meetings on its behalf, the right to appoint legal representative (chairperson), directors, supervisors and chief executive officers (or general manager) and other senior management, and the right to sell, transfer, pledge or dispose of all or a portion of the shares in part or in whole held by it. The Voting Proxy Agreements are irrevocable and remains in force continuously upon execution.

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Letters of Undertakings

Under the letters of undertakings given by each of the Individual Shareholders (the “**Letters of Undertakings**”), each of the Individual Shareholder has separately irrevocably undertaken, in the event of his or her death or loss of capacity or any other events that could possibly affect his or her capacity to fulfill his or her obligations under the Contractual Arrangements, that he or she will unconditionally transfer his or her equity interest in the VIEs to the WFOE Entities or any person designated by the WFOE Entities and such transferee will assume all of his or her rights and obligations as such under the Contractual Arrangements. Each Individual Shareholder represents that his or her spouse has no ownership interest in his or her equity interest in the VIEs. Each Individual Shareholder further represents that, he or she will not, commit any conduct or omission that is contrary to the purpose and intention of the Contractual Arrangements, that leads or may lead to any conflict of interest between the VIEs and the Group, and that if, during his or her performance of the Contractual Arrangements, there is a conflict of interest between himself or herself and the Group, he or she will protect the legal interests of the WFOE Entities under the Contractual Arrangements and follow the instructions of the Company.

Confirmation from the spouses of the Individual Shareholders

The spouse of each of the Individual Shareholders signed a spousal consent letter (the “**Spousal Consent Letter**”). Under the Spousal Consent Letter, each signing spouse respectively agreed that he or she was aware of the equity interest beneficially owned by his or her spouse in the VIEs and the Contractual Arrangements in connection with such equity interest. Each signing spouse confirmed and irrevocably undertook that he or she does not have any equity interest in the VIEs and committed not to impose any adverse assertions upon his or her spouse’s respective equity interest. Each signing spouse further confirmed that such equity interest may be disposed of pursuant to the Contractual Arrangements and committed that he or she will take all necessary measures for the performance of those arrangements.

Other aspects of the Contractual Arrangements

Dispute resolution

Each of the agreements underlying the Contractual Arrangements stipulates that in the event of any dispute arising out of or in relation to the agreements underlying the Contractual Arrangements, the parties shall first negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the resolution of such dispute within 30 days, any party may submit such dispute to the China International Economic and Trade Arbitration Commission for arbitration in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shanghai, the language of arbitration shall be Chinese, and the results of the arbitration shall be final and binding on all relevant parties.

In addition, pursuant to the dispute resolution clause, subject to applicable PRC laws, the arbitration tribunal may award remedies over the shares or land assets of the relevant Consolidated Affiliated Entity, injunctive relief (including but not limited to matters of business or compel the transfer of assets) or award the winding-up of the relevant Consolidated Affiliated Entity. Any party shall have the right to apply for enforcement of arbitration awards to the court with jurisdiction after the arbitration awards come into force.

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Subject to applicable PRC laws, the courts of Hong Kong, China (being the place of incorporation of the relevant Consolidated Affiliated Entity), Cayman Islands and the place(s) where our or the relevant Consolidated Affiliated Entity's principal assets are located also have jurisdiction for the enforcement of the arbitration awards and the interim remedies against the shares or land assets of the relevant Consolidated Affiliated Entity.

Succession

Each of the agreements underlying the Contractual Arrangements (as applicable) is binding on the successors of the Registered Shareholders.

Conflicts of interest

Each of the Individual Shareholders has given his or her irrevocable undertakings in their letters of undertaking, which address potential conflict of interests that may arise in connection with the Contractual Arrangements. For details, please see the sub-section headed “—Summary of the material terms of the Contractual Arrangements—Letters of Undertakings.”

Loss sharing

Under the relevant PRC laws and regulations, none of the Company or each of the WFOE Entities is expressly legally required to share the losses of, or provide financial support to, our VIEs. Further, our VIEs are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Each WFOE Entity intends to continuously provide to or assist the relevant VIEs in obtaining financial support when deemed necessary. In addition, given that the Group conducts a substantial portion of its business operations in the PRC through our VIEs, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into the Group's financial statements under the applicable accounting principles, our business, financial position and results of operations would be adversely affected if our VIEs suffer losses.

Despite the foregoing, as provided in the Exclusive Asset Option Agreements and Exclusive Equity Interest Option Agreements, without the written consent of the relevant WFOE Entities, our VIEs and the Registered Shareholders shall not, among others:

- (a) sell, transfer, mortgage or dispose of in any manner any assets of the relevant VIEs or legal or beneficial interest in the business or revenues of the relevant VIEs;
- (b) execute any material contract with a value above RMB100,000, except those entered into in the ordinary course of business;
- (c) provide any loan, credit or guarantees in any form to any third party, or allow any encumbrance thereon of any security interest on the business or revenue of the relevant VIEs;
- (d) incur, inherit, guarantee or allow the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans; and (ii) debts disclosed to the relevant

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WFOE Entities for which the relevant WFOE Entities' written consent has been obtained that is not incurred in the ordinary course of business;

- (e) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party or permit the relevant VIEs to sell asset with a value higher than RMB100,000; and
- (f) increase or decrease its registered capital, or alter the structure of the registered capital in any other way.

Liquidation

Pursuant to the Exclusive Asset Option Agreements and the Exclusive Equity Interest Option Agreements, in the event of a dissolution or liquidation as required by the laws of PRC, a VIE shall sell all of its assets to the extent permitted by the laws of PRC to the relevant WFOE Entity or its designated qualifying designee, at the lowest selling price permitted by applicable PRC laws. Any obligation for the relevant WFOE Entity or its designated qualifying designee to pay the relevant VIE as a result of such transaction shall be forgiven by the relevant VIE or any proceeds from such transaction shall be paid to the relevant WFOE Entity or its designated qualifying designee in partial satisfaction of the service fees under the relevant Exclusive Business Corporation Agreement, as applicable under then effective laws of PRC.

Operations in compliance with the Contractual Arrangements

The Group will adopt the following measures to ensure legal and regulatory compliance and to ensure the sound and effective operation of the Group (including the VIEs) and the implementation of the Contractual Arrangements upon Listing:

- (i) as part of the internal control measures, major issues arising from implementation of the Contractual Arrangements will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (ii) the Board will review the overall performance of and compliance with the Contractual Arrangements once a year;
- (iii) the Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (iv) if necessary, legal advisers and/or other professionals will be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements and to ensure that the operation and implementation of the Contractual Arrangements as a whole will comply with applicable laws and regulations.

Insurance

We do not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

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Our confirmation

The Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through our VIEs under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, we believe our Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations to the maximum extent and our PRC Legal Adviser is of the opinion that:

- (a) as confirmed by the parties to the Contractual Arrangements, each of the WFOE Entities and the VIEs has obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements, except for the approvals and authorizations mentioned below;
- (b) the execution and performance of the Contractual Arrangements do not fall within any of the circumstances under which a contract may become null and void pursuant to the PRC Civil Code;
- (c) none of the agreements under the Contractual Arrangements violates any provisions of the respective articles of association of the WFOE Entities and the VIEs;
- (d) the execution and performance of the Contractual Arrangements do not require any approvals from the PRC governmental authorities, except that (i) the pledges under the Share Pledge Agreements are required to be registered with the relevant local branch of State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局); (ii) the exercise of the options by WFOE Entities under the Exclusive Asset Option Agreements and the Exclusive Equity Interest Option Agreements to all or part of the assets and equity interests in the VIEs is subject to the approvals of, consent of, filing with and/or registration with the PRC governmental authorities; and (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement; and
- (e) the Contractual Arrangements are valid, binding and enforceable against each party thereto in accordance with their terms and applicable PRC laws and regulations currently in effect, and do not result in violation of PRC laws and regulations currently in effect, except that (i) the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of the VIEs, injunctive relief and/or winding up of the VIEs, and that courts of competent jurisdiction are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the VIEs in case of disputes. In

CONTRACTUAL ARRANGEMENTS

addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China, (ii) the share pledge arrangement under the Share Pledge Agreement in respect of Chongqing Exchange may be requested to be released by the relevant PRC governmental authority¹, and (iii) in the event of a mandatory liquidation, the provisions regarding the sale of the assets of the VIEs to the WFOE Entities at the lowest price, the waiver of the payment from the WFOE Entities and the payment from the VIEs to the WFOE Entities may not be enforceable.

Our PRC Legal Adviser has advised that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Adviser.

Based on the above advice from our PRC Legal Adviser, we are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under applicable PRC laws and regulations. In the unlikely event we become unable to enforce our Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities and may lose not only the ability to consolidate their revenues but also the control over their business operations. See the section headed “Risk Factors—Risks Relating to Our Contractual Arrangements—If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.”

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of the Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed “Connected Transactions” of this listing document.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the Exclusive Business Cooperation Agreements, it was agreed that, in consideration of the services provided by the WFOE Entities, the VIEs will pay services fees to the WFOE Entities. The service fees, subject to applicable PRC laws, shall be equal to the profit before taxation of the VIEs (including all profits attributable to the VIEs of, and any other distributions received by the VIEs from, any of the other VIEs in any financial year but without taking into account the service fees payable under the Exclusive Business Cooperation Agreements) and deducting working capital requirements, expenses and taxes (the VIEs can adjust the service fees based on applicable PRC tax laws) and operating profit that is in compliance with the principle of independent transaction as stipulated in PRC tax law. Accordingly, the WFOE Entities have the ability, at their sole discretion, to extract all of the economic benefit of the VIEs through the Exclusive Business Cooperation Agreements.

¹ Chongqing Exchange is an indirect wholly owned subsidiary of Shenzhen Lufax Enterprise Management. We have completed the registration of the Share Pledge Agreement in relation to Shenzhen Lufax Enterprise Management with the relevant office of the Administration for Market Regulation of China in 2015 and 2019.

CONTRACTUAL ARRANGEMENTS

Under the Exclusive Asset Option Agreements and the Exclusive Equity Interest Option Agreements, the WFOE Entities have absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders of the VIEs as the relevant WFOE Entity's prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay, as part of the services fee under the Exclusive Business Cooperation Agreements, such income, profit distribution or dividend to the WFOE Entities or any other person designated by the WFOE Entities to the extent permitted under applicable PRC laws.

Under the Contractual Arrangements, the Company has the power to control the management, financial and operating policies of the Consolidated Affiliated Entities, has exposure or rights to variable returns from its involvement with the Consolidated Affiliated Entities, and has ability to use its power over the Consolidated Affiliated Entities to affect the amount of the returns. As a result, all of these Consolidated Affiliated Entities are accounted for as consolidated structured entities of the Company and their financial statements have also been consolidated by the Company.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the National People's Congress approved the Foreign Investment Law (外商投資法) which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures (中外合資經營企業法), the Law on Sino-Foreign Contractual Joint Ventures (中外合作經營企業法) and the Law on Foreign-Capital Enterprises (外資企業法) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including the Group. We use the Contractual Arrangements to establish control of our VIEs, by the WFOE Entities, through which we operate a small part of our business in the PRC.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council" without elaboration on the meaning of "other methods." There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our VIEs will not be materially and

CONTRACTUAL ARRANGEMENTS

adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors—Risks Relating to Our Contractual Arrangements—Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may affect the viability of our current corporate structure, corporate governance and business operations.” We will continuously monitor the regulatory development and, if necessary, engage legal advisers to assist us to ensure that the operation and implementation of the Contractual Arrangements as a whole will comply with applicable laws and regulations.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

Our authorized share capital is US\$100,000 divided into 10,000,000,000 ordinary shares, with a par value of US\$0.00001 each. As of the Latest Practicable Date, our issued and outstanding share capital consisted of 1,146,108,643 fully paid Shares (excluding Shares underlying the ADSs repurchased by the Company pursuant to the share repurchase programs and Shares issued to the Depository for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of options or awards granted under our Share Incentive Plans). We will continue to hold the existing treasury shares, which comprise Shares underlying the ADSs repurchased us pursuant to the share repurchase programs and Shares issued to the Depository for bulk issuance of ADSs reserved for future issuance upon the exercise or vesting of options or awards granted under our Share Incentive Plans, upon the Listing and no more treasury shares will be issued upon the Listing.

There will be no change in our share capital immediately upon the Listing. As such, our issued and outstanding share capital immediately after the Listing (assuming no changes to our issued and outstanding share capital between the Latest Practicable Date and the Listing) will consist of 1,146,108,643 fully paid Shares (excluding Shares underlying the ADSs repurchased by the Company pursuant to the share repurchase programs and Shares issued to the Depository for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of options or awards granted under our Share Incentive Plans).

RANKING

The Shares rank equally with all Shares currently in issue or to be issued and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares following completion of the Listing.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, the Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide its share capital into shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken or agreed to be taken. In addition, the Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. For further details, see “Summary of the Constitution of the Company and Cayman Islands Law—Articles of Association—Variation of Rights of Shares” in Appendix III to this document.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

General Mandate to Issue Shares

At the EGM to be convened before the Listing, a resolution will be put forth for the shareholders of the Company to approve that, subject to the Listing becoming unconditional, our Directors will be granted a general mandate to allot, issue and deal with Shares or securities convertible into Shares with a total nominal value of not more than the sum of:

- 20% of the total number of the Shares in issue and outstanding immediately following completion of the Listing (excluding any Shares to be issued under the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes); and

SHARE CAPITAL

- the total number of Shares repurchased by our Company under the authority referred to in the paragraph headed “—General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company’s next annual general meeting is required by our memorandum and articles of association or any other applicable laws of the Cayman Islands to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See “Statutory and General Information—A. Further Information about the Company and Our Subsidiaries—3. Changes in the share capital of our subsidiaries—Resolutions of Our Shareholders at the EGM” in Appendix IV for further details of this general mandate.

General Mandate to Repurchase Shares

At the EGM to be convened before the Listing, a resolution will be put forth for the shareholders of the Company to approve that, subject to the Listing becoming unconditional, our Directors will be granted a general mandate to exercise all the powers of our Company to repurchase our own Shares and securities up to 10% of the total number of our Shares in issue and outstanding immediately following the completion of the Listing (excluding any Shares which may be issued pursuant to the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares or ADSs are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time. This general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company’s next annual general meeting is required by our memorandum and articles of association or any other applicable laws of the Cayman Islands to be held; or

SHARE CAPITAL

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See “Statutory and General Information—A. Further Information about the Company and Our Subsidiaries—4. Explanatory statement on repurchase of our own securities” in Appendix IV for further details of the repurchase mandate.

SHARE INCENTIVE PLANS

We have adopted the Share Incentive Plans. See “Statutory and General Information—D. Share Incentive Plans” in Appendix IV to this document for further details.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware as of the Latest Practicable Date, immediately following the completion of the Listing (assuming no changes to our issued and outstanding share capital between the Latest Practicable Date and the Listing), the following persons will be deemed or taken to have interests and/or short positions (as applicable) in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting rights of the Company or any other member of the Group:

Substantial shareholders of the Company

Name of substantial shareholders	Capacity / Nature of Interest	Number of Shares	Approximate percentage of shareholding in the issued and outstanding Shares following the completion of the Listing
Ping An Insurance ⁽¹⁾⁽³⁾	Interest in controlled corporations	474,905,000	41.4%
Tun Kung Company Limited ⁽²⁾⁽³⁾	Beneficial interest	320,329,680	27.9%

Notes:

- (1) Represents 285,000,000 Shares held by An Ke Technology and 189,905,000 Shares held by Ping An Overseas Holdings. An Ke Technology is a wholly owned subsidiary of Ping An Financial Technology which is wholly owned by Ping An Insurance. Ping An Overseas Holdings is a direct wholly-owned subsidiary of Ping An Insurance. Ping An Financial Technology is deemed to be interested in the 285,000,000 Shares held by An Ke Technology. Ping An Insurance is deemed to be interested in the 285,000,000 Shares held by An Ke Technology and 189,905,000 Shares held by Ping An Overseas Holdings.

We issued the Ping An Convertible Promissory Notes in an aggregate principal amount of US\$1,953.8 million to Ping An Overseas Holdings and An Ke Technology. As of the Latest Practicable Date, 50% of the outstanding principal amount of the Ping An Convertible Promissory Notes has been redeemed and the remaining 50% outstanding Ping An Convertible Promissory Notes which were not redeemed can be converted, in whole or in part, into the Shares (or the ADSs) at any time from April 30, 2026 until the date which is five business days before (and excluding) October 8, 2026, at an initial conversion price of US\$14.8869 per ordinary share subject to certain adjustments as set forth in the terms and conditions of each of the Ping An Convertible Promissory Notes. Taking into account the dividend announced on March 13, 2023, the Ping An Convertible Promissory Notes can be converted into an aggregate of 74,402,132 ordinary shares, representing approximately 6.5% of the total issued and outstanding Shares as of the Latest Practicable Date. For further details of Ping An Convertible Promissory Notes, see “History and Corporate Structure—Major Shareholding Changes of the Company and Our Principal Subsidiaries—Shareholding changes of the Company—Convertible Promissory Notes Issued to Ping An Overseas Holdings and An Ke Technology.”

- (2) Represents 275,203,430 Shares held by Tun Kung Company Limited, a BVI company, plus, as of March 30, 2023, (i) 33,626,250 Shares which are ordinary shares converted to 67,252,500 ADSs and recorded in and represented by the collateral accounts and the custodial accounts held in the name of Tun Kung Company Limited with Goldman Sachs International pursuant to certain covered call arrangements by and among Tun Kung Company Limited, Goldman Sachs International and Goldman Sachs (Asia) L.L.C. between June and December 2022, and (ii) 11,500,000 Shares which are ordinary shares converted to 23,000,000 ADSs and recorded in and represented by a collateral account held in the name of Tun Kung Company Limited with Morgan Stanley & Co. International plc pursuant to certain variable prepaid share forward arrangements between Tun Kung Company Limited and Morgan Stanley & Co. International plc between April and June 2022. As of December 9, 2022, each of Tongjun Investment Company Limited and Lanbang Investment Company Limited owned 47.2% and 52.8% of the issued and outstanding share capital of Tun Kung Company Limited, respectively. Tongjun Investment Company Limited and Lanbang Investment Company Limited are both British Virgin Islands companies. Each of the two individuals, Mr. Wenwei DOU and Ms. Wenjun WANG, as nominee shareholder, owns 50% of Tongjun Investment Company Limited’s shares. Each of the two individuals, Mr. Xuelian YANG and Mr. Jingkui SHI, owns 50% of Lanbang

SUBSTANTIAL SHAREHOLDERS

Investment Company Limited's shares. Therefore, Tongjun Investment Company Limited, Lanbang Investment Company Limited, Mr. Wenwei DOU, Ms. Wenjun WANG, Mr. Xuelian YANG and Mr. Jingkui SHI are deemed to be interested in the Shares held by Tun Kung Company Limited.

- (3) Each shareholder of Lanbang Investment Company Limited, Mr. Jingkui SHI and Mr. Xuelian YANG, has granted an option to An Ke Technology to purchase up to 100% of his shares in Lanbang Investment Company Limited (“**Lanbang Offshore Call Options**”). Lanbang Investment Company Limited held 52.8% of the shares of Tun Kung Company Limited, which in turn beneficially owned 28.3% of our Shares. Lanbang Investment Company Limited has also granted an option to An Ke Technology to purchase up to 100% of its shares in Tun Kung Company Limited (“**Tun Kung Offshore Call Options**”, together with Lanbang Offshore Call Options, the “**Offshore Call Options**”). Lanbang Investment Company Limited is entitled to its voting and other rights in Tun Kung Company Limited prior to An Ke Technology's exercise of the Tun Kung Offshore Call Options. See note (2) to the subsection headed “History and Corporate Structure—Our Corporate Structure” for details.

Substantial shareholders of other members of the Group

Member of the Group	Name of substantial shareholders	Nature of interest	Approximate % held by the substantial shareholder
Shenzhen Lufax Enterprise Management	Xinjiang Tongjun Equity Investment Limited Partnership	Beneficial interest	29.55%
	Shanghai Lanbang Investment Limited Liability Company	Beneficial interest	18.29%
Shanghai Xionguo	Xinjiang Tongjun Equity Investment Limited Partnership	Beneficial interest	29.55%
	Shanghai Lanbang Investment Limited Liability Company	Beneficial interest	18.29%
Ping An Consumer Finance	Ping An Insurance	Beneficial interest	30%
Puhui Lixin ⁽¹⁾	Shanghai OneConnect Financial Technology Co., Ltd.	Beneficial interest	40%

Note:

- (1) On November 24, 2022, Ping An Puhui Enterprises Management entered into an equity transfer agreement with Shanghai OneConnect Financial Technology Co., Ltd. which is a consolidated affiliated entity of OneConnect, in relation to Ping An Puhui Enterprises Management's purchase of 40% equity interest in Puhui Lixin. OneConnect's shareholders have approved the above transfer at its extraordinary general meeting on April 4, 2023. The above transfer is expected to be completed in April 2023.

Save as disclosed under this subsection, our Directors are not aware of any other person who will, immediately following the completion of the Listing (assuming no changes to our issued and outstanding share capital between the Latest Practicable Date and the Listing), have any interest and/or short positions in the Shares or underlying Shares which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of the Company or any other member of the Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company or any other member of the Group.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Upon Listing, the Board will consist of nine Directors, comprising two executive Directors, three non-executive Directors and four independent non-executive Directors. The following table provides certain information about the Directors:

Name	Age	Position	Date of joining the Group	Date of appointment as a Director	Roles and responsibilities
Mr. Yong Suk CHO (趙容奭)	52	Executive Director, Chairman of the Board and Chief Executive Officer	October 2007	March 2016	Presiding over the Board, giving strategic advice and formulating development plans of the Group, and responsible for the Group's day-to-day management
Mr. Gregory Dean GIBB (計葵生)	56	Executive Director and Co-Chief Executive Officer	September 2011	December 2014	Responsible for the Group's wealth management business and finance, treasury internet technology and investor relations functions
Mr. Guangheng JI (冀光恒)	54	Non-executive Director	April 2020	November 2022	Responsible for providing professional opinion and judgment to the Board
Ms. Xin FU (付欣)	43	Non-executive Director	November 2022	November 2022	Responsible for providing professional opinion and judgment to the Board

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining the Group	Date of appointment as a Director	Roles and responsibilities
Mr. Yuqiang HUANG (黃玉強)	41	Non-executive Director	December 2022	December 2022	Responsible for providing professional opinion and judgment to the Board
Mr. Rusheng YANG (楊如生)	55	Independent non-executive Director ⁽¹⁾	July 2020	July 2020	Responsible for providing independent opinion and judgment to the Board
Mr. Weidong LI (李偉東)	54	Independent non-executive Director ⁽¹⁾	April 2018	April 2018	Responsible for providing independent opinion and judgment to the Board
Mr. Xudong ZHANG (張旭東)	57	Independent non-executive Director ⁽¹⁾	April 2018	April 2018	Responsible for providing independent opinion and judgment to the Board
Mr. David Xianglin LI (李祥林)	59	Independent non-executive Director ⁽¹⁾	January 2021	January 2021	Responsible for providing independent opinion and judgment to the Board

Note:

- (1) Mr. Rusheng YANG, Mr. Weidong LI, Mr. Xudong ZHANG and Mr. David Xianglin LI are independent directors under applicable U.S. regulations and are also independent non-executive directors for the purpose of the Listing Rules. We have determined that Mr. Rusheng YANG qualifies as an “audit committee financial expert” under the applicable U.S. regulations and has the appropriate professional accounting or financial management experience.

Executive Directors

Mr. Yong Suk CHO (趙容奭), aged 52, has been the chairman of our board and chief executive officer of the Company since August 2022, and he served as co-chief executive officer of the Company from January 2021 to August 2022 and has been a director of the Company since March 2016. He has been

DIRECTORS AND SENIOR MANAGEMENT

re-designated as an executive Director with effect from the Listing Date. He has also been a director of Ping An Puhui since December 2017. Mr. Cho has extensive experience in the consumer finance industry. Mr. Cho served as the vice president of portfolio management team of Citibank Korea from July 1999 to March 2006, and senior vice president of marketing department of the Hongkong and Shanghai Banking Corporation Limited, Seoul Branch from April 2006 to October 2007. Mr. Cho subsequently joined Ping An Group where he held a number of management positions, including deputy general manager of the business & strategy development division of the credit guarantee insurance business department, assistant to the general manager, deputy general manager and general manager of the credit guarantee insurance business department from October 2007 to February 2015. Mr. Cho obtained his MBA degree from the University of California, Berkeley, Haas School of Business in May 1999.

Mr. Gregory Dean GIBB (計葵生), aged 56, has been the co-chief executive officer of the Company since January 2021 and a director of the Company since December 2014, and he served as our chief executive officer from March 2016 to January 2021. He has been re-designated as an executive Director with effect from the Listing Date. He has also been the legal representative of Shanghai Lufax since September 2011. Mr. Gibb has over 20 years of experience serving multinational and domestic companies in the finance and investment industry. Mr. Gibb served various positions at McKinsey & Company from January 1992 to September 2006, including as its director and the chief operating officer of Taishin Financial Holding Co., Ltd, a company listed on the Taiwan Stock Exchange (stock code: 2887), from September 2006 to May 2011. After that, Mr. Gibb joined Ping An Insurance and served as the chief innovation officer from May 2011 to April 2013. Mr. Gibb obtained his bachelor of arts degree from Middlebury College in May 1989.

Non-executive Directors

Mr. Guangheng JI (冀光恒), aged 54, has been a director of the Company since November 2022. He has been re-designated as a non-executive Director with effect from the Listing Date. Currently, he has been serving as senior vice president of Ping An Group since March 2022. Mr. Ji served as the chairman of the board of directors of the Company from January 2021 to August 2022 and the co-chairman of the board of directors of the Company from April 2020 to January 2021. Mr. Ji has years of experience in the finance industry. Mr. Ji served as the vice president of Shanghai Pudong Development Bank Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600000), from April 2009 to October 2015, the chairman of the board of Shanghai Rural Commercial Bank Co., Ltd., a company subsequently listed on the Shanghai Stock Exchange (stock code: 601825), and vice chairman of the board and co-president of Shenzhen Baoneng Investment Group Limited from March 2019 to March 2020. Mr. Ji obtained his bachelor's degree in economic geography, master's degree in human geography and Ph.D. degree in regional economics from Peking University in July 1991, July 1994 and July 2009, respectively.

Ms. Xin FU (付欣), aged 43, has been a director of the Company since November 2022. She has been re-designated as a non-executive Director with effect from the Listing Date. Currently, she has been serving as the chief operating officer of Ping An Group since March 2022 and director of the strategic development center of Ping An Group since March 2020. She joined Ping An Group in October 2017 as general manager of its planning department, and served as deputy chief financial officer of Ping An Group

DIRECTORS AND SENIOR MANAGEMENT

between March 2020 and March 2022. Prior to joining Ping An Group, Ms. Fu worked in Roland Berger Enterprise Management (Shanghai) Co., Ltd from August 2015 to October 2017, where she had years of experience in planning and implementing finance and fintech related projects. Ms. Fu has also been serving as a non-executive director of OneConnect Financial Technology Co., Ltd., a company listed on the NYSE (stock code: OCFT) and on the Hong Kong Stock Exchange (stock code: 6638), since November 2022. Ms. Fu obtained a master's degree in business administration from Shanghai Jiao Tong University in June 2012.

Mr. Yuqiang HUANG (黃玉強), aged 41, has been a director of the Company since December 2022. He has been re-designated as an non-executive Director with effect from the Listing Date. Currently, he has been serving as a non-executive director of Ping An Leasing International Co., Ltd. since December 2022, a non-executive director of Ping An Real Estate Co., Ltd. since December 2022, and the general manager of audit and supervision department of Ping An Group since March 2023. Mr. Huang has over 18 years of experience in risk management of the financial industry. Mr. Huang held various positions at Shenzhen Development Bank (now merged with and renamed as Ping An Bank) from July 2004 to May 2021, including as manager of the economic capital and portfolio management office of the risk management department of the head office from April 2015 to December 2016, manager of the credit risk management office of the risk management department of the head office from December 2016 to September 2018, and deputy general manager and subsequently general manager of the asset monitoring department of the head office from September 2018 to May 2021. Mr. Huang obtained a bachelor's degree in business management from Nanjing University in June 2004.

Independent Non-executive Directors

Mr. Rusheng YANG (楊如生), aged 55, has been an independent director of the Company since July 2020 and has been re-designated as an independent non-executive Director with effect from the Listing Date. Mr. Yang currently is a partner at Jonten Certified Public Accountants and has also been an independent director of Ping An Bank, a company listed on the Shenzhen Stock Exchange (stock code: 000001), since February 2017, and an independent non-executive director of IPE Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 929), since June 2017. Mr. Yang has over 20 years of experience in the finance, audit and tax industries. Mr. Yang served as the senior manager at Shenzhen Yongming CPA Co., Ltd. from October 1994 to December 2000, partner at Shenzhen Guangshen Certified Public Accountants Firm from January 2001 to December 2004, managing partner at Shenzhen Youxin Certified Public Accountants Firm from January 2005 to July 2007, managing partner at Wanlong Asia CPA Co., Ltd. from August 2007 to September 2009, partner at Crowe Horwath China Certified Public Accountants Co., Ltd. from October 2009 to September 2013, and partner at Rui Hua Certified Public Accountants from October 2013 to December 2019. Mr. Yang has been a partner at Zhongtianyun Certified Public Accountants (Special General Partnership) since January 2020. Mr. Yang obtained his master's degree in accounting from Jinan University in June 1993. Mr. Yang is a certified public accountant since January 1995 and is currently a certified tax agent in the PRC.

Mr. Weidong LI (李偉東), aged 54, has been an independent director of the Company since April 2018 and has been re-designated as an independent non-executive Director with effect from the Listing

DIRECTORS AND SENIOR MANAGEMENT

Date. Mr. Li has been an independent director of Shenzhen Yan Tian Port Holdings Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000088), since June 2022, an independent non-executive director of Ocean Line Port Development Limited, a company listed on the Hong Kong Stock Exchange (stock code: 8502), since June 2018, an independent non-executive director of China Traditional Chinese Medicine Holdings Co. Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00570), since February 2019, and Mr. Li had also been an independent director of Ping An Securities Co., Ltd. from September 2016 to November 2022, an independent director of AVIC Sanxin Co., Ltd. (currently known as Hainan Development Holdings Nanhai Co., Ltd.), a company listed on the Shenzhen Stock Exchange (stock code: 002163), from June 2018 to June 2020, an independent director of Shenzhen MYS Environmental Protection & Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002303), from September 2013 to November 2019, and an independent director of Netac Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300042), from February 2014 to February 2017, respectively. Mr. Li has extensive experience in corporate legal affairs. Mr. Li was a lawyer at Jiangsu Jingwei Law Firm (later known as Jiangsu Gaode Law Firm) from February 1994 to March 1997. Mr. Li obtained his bachelor's degrees in mineral ore geochemistry and economic law from Nanjing University in July 1990 and July 1992, respectively. He obtained his Ph.D. degree in law from the City University of Hong Kong in November 2004. Mr. Li is currently a qualified lawyer in the PRC and a registered foreign lawyer with the Law Society of Hong Kong.

Mr. Xudong ZHANG (張旭東), aged 57, has been an independent director of the Company since April 2018 and has been re-designated as an independent non-executive Director with effect from the Listing Date. Mr. Zhang also served as an independent director of Ping An Securities Co., Ltd. from January 2017 to November 2022 and is an independent director of Chifeng Jilong Gold Mining Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600988) since January 2022. Mr. Zhang is currently the chairman of Huakong Tsingjiao Information Science (Beijing) Co., Ltd. Mr. Zhang has extensive experiences in the financial services industry. Mr. Zhang served as a private placement service analyst in New England Financial from October 1990 to June 1994, a vice president in BankBoston, N.A. from July 1994 to September 1996, and a managing director of corporate finance department in Koch Industries, Inc. from September 1996 to July 1998. Mr. Zhang subsequently served as the managing director and head of China structured sales in global markets division of Deutsche Bank AG, Hong Kong Branch from March 2007 to August 2009, and the managing director of the fixed income, currency & commodities divisions of Goldman Sachs (Asia) L.L.C. from September 2009 to December 2012. He was the chairman of Sapinda Asia Pacific Holdings Limited from July 2014 to September 2016. Mr. Zhang obtained his master's degree in community economic development from Southern New Hampshire University (formerly known as New Hampshire College) in September 1990.

Mr. David Xianglin LI (李祥林), aged 59, has been an independent director of the Company since January 2021 and has been re-designated as an independent non-executive Director with effect from the Listing Date. Mr. Li is currently a clinical professor and co-director (academic) of the master of finance program at the Shanghai Advanced Institute of Finance, and an vice president of Chinese Academy of Financial Research at Shanghai Jiao Tong University and deputy director of the China Academy of Financial Research. Mr. Li has extensive experience in the finance industry and is a recognized leader in credit derivatives research and risk management. Prior to his current position, Mr. Li served as the

DIRECTORS AND SENIOR MANAGEMENT

investment vice president in risk management at Prudential Financial from March 2016 to June 2017, and managing director and the head of risk management group at China International Capital Corporation Ltd. from June 2008 to February 2012. Mr. Li also has extensive research experiences in various financial institutions, including Citigroup, Canadian Imperial Bank of Commerce, AXA Financial, RiskMetrics Group and Barclays Capital. Mr. Li obtained his bachelor's degree in mathematics from Yangzhou Normal College (consolidated into and currently known as Yangzhou University) in July 1983, master's degree in monetary banking from Nankai University in June 1987, MBA degree from Laval University in May 1991, and Ph.D. degree in statistics from the University of Waterloo in October 1995.

Save as disclosed herein, none of the Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this listing document, and none of the Directors and members of senior management are related to other Directors or members of senior management.

From September 25, 2015 to June 29, 2016, Mr. Xudong ZHANG was an independent non-executive director of Up Energy Development Group Limited ("Up Energy"), a limited company incorporated Bermuda and formerly listed on the Stock Exchange (former Stock Code: 307). Up Energy together with its subsidiaries is principally engaged in the mining of coking coal, production and sales of raw coking coal, clean coking coal, and coking and chemicals products in the PRC. A winding up petition was filed against Up Energy in Hong Kong in March 2016 for the repayment of debt. Up Energy was subsequently delisted from the Stock Exchange on January 5, 2022, and based on its public announcements available on the Stock Exchange's website, its winding up hearings in Bermuda and Hong Kong remained adjourned prior to such delisting. Mr. Zhang has confirmed that (i) he was not involved in the day-to-day management of Up Energy, (ii) there was no wrongful act on his part leading to the winding up proceedings of Up Energy, and (iii) he is not aware of any actual or potential claim that has been or would be made against him as a result of such winding up proceedings. Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there was no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) (a) to (v) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table provides information about members of our senior management:

Name	Age	Position	Date of joining the Group	Date of appointment for current senior management position	Roles and responsibilities
Mr. Yong Suk CHO (趙容奭)	52	Executive Director, Chairman of the Board and Chief Executive Officer	October 2007	August 2022	Presiding over the Board, giving strategic advice and formulating development plans of the Group, and responsible for the Group's day-to-day management
Mr. Gregory Dean GIBB (計葵生)	56	Executive Director and Co-Chief Executive Officer	September 2011	January 2021	Responsible for the Group's wealth management business and finance, treasury internet technology and investor relations functions
Mr. Dongqi CHEN (陳東起)	54	General Manager	July 2013	August 2022	Responsible for the Group's sales functions
Ms. Youn Jeong LIM (林允禎)	52	Chief Risk Officer	May 2008	August 2022	Responsible for risk management of the Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining the Group	Date of appointment for current senior management position	Roles and responsibilities
Mr. David Siu Kam CHOY (徐兆感)	48	Chief Financial Officer	October 2018	August 2022	Overseeing corporate finance and accounting matters and financial reporting of the Group
Mr. Jinliang MAO (毛進亮)	56	Chief Technology Officer	May 2016	November 2017	Responsible for the development of software and technology of the Group

Mr. Yong Suk CHO (趙容爽), is our executive Director, chairman of the Board and chief executive officer. See “Directors” in this section for his biographical details.

Mr. Gregory Dean GIBB (計葵生) is our executive Director and co-chief executive officer. See “Directors” in this section for his biographical details.

Mr. Dongqi CHEN (陳東起), aged 54, has been the general manager of the Company since August 2022. He currently also serves as chairman of Ping An Consumer Finance Co., Ltd. Mr. Chen has over 25 years of experience in sales management and the financial industry. Prior to his current positions, Mr. Chen has served as general manager of Ping An Puhui from June 2020 to August 2022, executive deputy general manager of Ping An Puhui from February 2017 to June 2020, deputy general manager of Ping An Puhui from June 2016 to February 2017, and assistant to the general manager of Ping An Puhui from July 2015 to May 2016. Mr. Chen has served as assistant to the general manager of Ping An Insurance Agency Co., Ltd. from November 2014 to June 2015 and held a number of positions in Ping An Property & Casualty Insurance Company of China Ltd. from September 1996 to October 2014, including as assistant to general manager of the Credit Guarantee Insurance Business Unit from July 2013 to October 2014. Mr. Chen received his bachelor’s degree in insurance from Nankai University in July 1991.

Ms. Youn Jeong LIM (林允禎), aged 52, has been the chief risk officer of the Company since August 2022. She served as vice president of Ping An Puhui from March 2017 to August 2022, and was also the chief risk officer of Ping An Puhui, where she was responsible for the comprehensive risk management of retail lending business of the Company. Ms. Lim has led the transformation of Ping An Puhui’s risk management system from a traditional model into a technology-supported, data-driven online model. Prior

DIRECTORS AND SENIOR MANAGEMENT

to joining Ping An Puhui in May 2008, Ms. Lim has served as the head of consumer finance risk management department of Standard Chartered Bank in Korea from July 2006 to April 2008 and the head of credit card business planning department of Citibank in Korea from April 1999 to September 2005. Ms. Lim received her master's degree in arts from Ohio State University in June 1996.

Mr. David Siu Kam CHOY (徐兆感), aged 48, has been the chief financial officer of the Company since August 2022. He has also been the chief financial officer of Ping An Puhui since October 2018. Mr. Choy served in various positions at KPMG Hong Kong and Ernst & Young Beijing, Guangzhou and Hong Kong from July 1997 to September 2005, and served as the general manager of the finance department of Shenzhen Development Bank Company Limited (now known as Ping An Bank) from October 2005 to December 2006. Mr. Choy subsequently joined Ping An Insurance where he served as the deputy general manager of group finance department from March 2007 to January 2009, deputy general manager of group planning department from January 2009 to March 2014, and deputy general manager and general manager of group treasury department from March 2014 to September 2018. Representing Ping An Insurance during his service at the group, Mr. Choy also served in various directorship roles within the Ping An Group, namely, chairman of Ping An Overseas Holdings, director of each of Shenzhen Ping An Fintech Company, Ping An of China Asset Management (Hong Kong) Company Limited, Ping An Real Estate Co., Ltd. and Ping An Yiqianbao E-commerce Company Limited. Mr. Choy obtained his bachelor's degree in finance from The Hong Kong University of Science and Technology in November 1997 and his master's degree in corporate governance and directorship from the Hong Kong Baptist University in November 2015. He also completed the senior executives program in corporate governance at Stanford University in March 2017. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Jinliang MAO (毛進亮), aged 56, has been the chief technology officer of the Company since December 2017. He has also been the general manager of Lufax (Shenzhen) Technology since September 2018. Mr. Mao has extensive experience in internet technology. He joined Ping An in April 1993 and has since then held various positions relating to information management within Ping An Group. Mr. Mao obtained his bachelor's degree in engineering from National University of Defense Technology in July 1988 and master's degree in engineering from National University of Defense Technology in June 1991.

Save as disclosed herein, none of the senior management of the Company held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document.

COMPANY SECRETARY

Ms. Sharon Wing Han LEUNG (梁穎嫻) has been appointed as our company secretary. Ms. Leung possesses more than 15 years of experience in the company secretary profession. She is familiar with the Listing Rules, the Companies Ordinance as well as compliance work for offshore companies. Ms. Leung is currently a director of Corporate Services of Tricor Services Limited and has been providing corporate secretarial and compliance services to a portfolio of clients including multinational corporations and private companies.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and a fellow member of both The Hong Kong Chartered Governance Institute (formerly known as “The Hong Kong Institute of Chartered Secretaries”) and The Chartered Governance Institute in the United Kingdom. She is also a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Leung obtained a bachelor’s degree in business administration and a master’s degree in laws.

CORPORATE GOVERNANCE

Audit Committee

Our audit committee is in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules, except for the terms of reference required by paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. The charter of our audit committee complies with the rules of the NYSE and the rules of the SEC. The primary duties of the Company’s audit committee are to monitor the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters, to review the adequacy of our internal control over financial reporting, to review all related party transactions for potential conflict of interest situations and to approve, as appropriate, such transactions. The audit committee comprises three independent non-executive Directors, namely Mr. Rusheng YANG, Mr. Xudong ZHANG and Mr. David Xianglin LI. Mr. Yang, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Nomination and Remuneration Committee

Our nomination and remuneration committee is in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The charter of our nomination and remuneration committee complies with the rules of the NYSE. The primary duties of the nomination and remuneration committee are to (i) in respect of its nomination functions, develop and recommend to the Board criteria for board and committee membership, recommend to the Board the persons to be nominated for election as Directors and to each of the Board’s committees, and (ii) in respect of its remuneration functions, review and make recommendations to the Board of Directors with respect to director compensation, evaluate the performance of our executive officers and review and make recommendations to the Board regarding the terms of their compensation, and review and approve the nomination and compensation of our executive officers. The compensation committee comprises three independent non-executive Directors, namely Mr. Weidong LI, Mr. Xudong ZHANG and Mr. Rusheng YANG. Mr. Li is the chairman of the committee.

Corporate Governance Code

We aim to achieve high standards of corporate governance, which are crucial to our development and safeguard the interests of the Shareholders. In order to accomplish this, save as disclosed under this subsection, we expect to comply with the Corporate Governance Code set out in Appendix 14 of the Listing Rules after the Listing.

DIRECTORS AND SENIOR MANAGEMENT

Pursuant to code provision C.2.1 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Yong Suk CHO has assumed the roles of chairman of the Board and chief executive officer of the Company, which will constitute a deviation from code provision C.2.1 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules. The Board believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Taking into account that Mr. Gregory Dean GIBB currently acts as the co-chief executive officer of the Company, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole.

Management Presence

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since the principal business operations of the Group are conducted in mainland China, members of our senior management are, and are expected to continue to be, based in mainland China. Further, as our executive Directors have a vital role in the Group's operations, it is crucial for them to remain in close proximity to the Group's central management located in mainland China. The Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. We have applied for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules. For further details, see "Waivers—Management Presence in Hong Kong."

Board Diversity

The Board will adopt a board diversity policy (the "**Board Diversity Policy**") prior to the Listing in order to enhance the effectiveness of the Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria for selecting candidates to the Board, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The ultimate decision will be based on merit and the contribution that the selected candidates will make to the Board.

The nominating and corporate governance committee is responsible for reviewing the diversity of the Board. After Listing, our nomination and remuneration committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. Our nomination and remuneration committee will also include in successive annual reports a summary of the

DIRECTORS AND SENIOR MANAGEMENT

Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

The Company aims to maintain an appropriate balance of skills, experience and diversity of perspectives on the Board that are relevant to the Company's business growth. The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. Our nomination and remuneration committee will discuss periodically and, where appropriate, agree on measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. Upon Listing, the Board will have one female Director. We target to maintain at least one female Director in the Board in the future. We will ensure there is gender diversity when recruiting staff for middle to senior level so that we will have a pipeline of female senior management and potential successors to our Board in near future and engage more resources in training female staff who have long and relevant experience in our business, with the aim of promoting them to the senior management or directorship of our Group, noting that we currently already have one female director and one female senior management member.

DIRECTORS' REMUNERATION

The Directors and senior management receive remuneration, including basic salaries, housing fund, allowances and benefits in kind, employer's contributions to a retirement benefit scheme, discretionary bonuses and share-based compensation expenses.

The aggregate amount of remuneration (including directors' fees, salaries and bonuses, social security and housing fund, and other benefits) for the Directors for the years ended December 31, 2020, 2021 and 2022 was RMB47.6 million, RMB42.9 million and RMB22.4 million, respectively.

The aggregate amount of remuneration (including wages, salaries and bonuses, other social security costs, housing benefits and other employee benefits, and pension costs—defined contribution plans, and excluding share-based payment) for the five highest paid individuals who are not the Directors for the years ended December 31, 2020, 2021 and 2022 was RMB6.1 million, RMB14.5 million and RMB13.0 million, respectively.

Save as disclosed under this subsection and the Accountant's Report included in Appendix I to this document, no other payments have been paid or are payable by the Company to the Directors in respect of the years ended December 31, 2020, 2021 and 2022. No remuneration was paid to the Directors or the five highest paid individuals as an inducement to join, or upon joining, the Group. No compensation was paid to, or receivable by, the Directors or past directors for the Track Record Period for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of the Directors waived any emoluments during the same period.

See paragraphs headed "Statutory and General Information—D. Share Incentive Plans" in Appendix IV for details regarding the incentive plans for the Directors and senior management.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise the Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction which might be a notifiable or connected transaction is contemplated, including share issues and share repurchases; and
- (c) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and end on the date on which the Company distributes to Shareholders the annual report of our financial results for the first full financial year commencing after the Listing Date. The appointment may be subject to extension by mutual agreement.

COMPETITION

Each of the Directors confirms that, as of the Latest Practicable Date, he or she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

FUTURE PLANS AND PROSPECTS

FUTURE PLANS

See the section headed “Business—Our Strategies” for a detailed description of our future plans.

REASONS FOR THE DUAL PRIMARY LISTING

The Introduction does not involve any offering of new Shares or a public offering of any other securities and no new proceeds will be raised pursuant to the Introduction. Our Directors consider that it is desirable and beneficial for the Company to have dual primary listing status in both Hong Kong and the NYSE so that the Company can have ready access to these different equity markets when opportunity arises. We believe the two markets attract different investor profiles, thereby widening the investor base of the Company and increasing the liquidity of the Shares. In particular, dual primary listing status in both Hong Kong and the NYSE enables us to benefit from our exposure to a wider range of private and institutional investors. Our Directors believe that a listing in Hong Kong is in line with our focus on our operations in the PRC, which is important for our growth and long-term strategic development.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

LISTINGS

Our ADSs are currently listed and traded on the NYSE. An application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and outstanding (excluding Shares underlying the ADSs repurchased by the Company pursuant to the share repurchase programs and Shares issued to the Depository for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of options or awards granted under the Share Incentive Plans) and the Shares to be issued under the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes. Our listings on both the Stock Exchange and the NYSE will be dual primary listings.

REGISTRATION

Our principal register of members holding unlisted Shares and Shares represented by our ADSs will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited in the Cayman Islands at PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands, and our branch register of members will be maintained by our branch registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

DEALINGS AND SETTLEMENT

Settlement of dealings in Hong Kong

The Shares will trade on the Stock Exchange in board lots of 100 Shares. Dealings in the Shares on the Stock Exchange will be conducted in Hong Kong dollars.

The transaction costs of dealings in the Shares on the Stock Exchange include:

- Stock Exchange trading fee of 0.00565% of the consideration of the transaction, charged to each of the buyer and seller;
- SFC transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- AFRC Transaction Levy of 0.00015% (rounded to the nearest cent), charged to each of the buyer and seller;
- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.26% of the value of the transaction, with 0.13% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker; and
- the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Listing

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

Rules), for each transfer of ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors must settle their trades executed on the Stock Exchange through their brokers directly or through custodians. For an investor who has deposited his or her Shares in his or her stock account or in his or her designated CCASS participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his or her broker or custodian before the settlement date.

Conversion between Shares Trading in Hong Kong and ADSs

Following the listing of the Shares on the Stock Exchange, Shares registered on the Hong Kong share register will be able to convert these Shares into ADSs, and *vice versa*, subject to certain exceptions as provided herein. In addition, thereafter all deposits of Shares for the issuance of ADSs and all withdrawals of Shares upon the cancellation of ADSs will be in the form of Shares registered on the Hong Kong share register and all corporate actions with respect thereto will be processed via the Depository's custodian account at CCASS, subject to the rules and procedures applicable to CCASS—eligible securities, and also subject, in each case, to certain exceptions described below and provided that the foregoing shall not apply to certain of our “restricted” Shares and other Shares as determined by the Company and the Depository, which will be via our principal register in the Cayman Islands.

Depository and Our ADSs

The Depository for our ADSs is Citibank, N.A., whose office is located at 388 Greenwich Street, New York, New York 10013. The certificated ADSs are evidenced by certificates referred to as American Depository Receipts (“**ADRs**”) that are issued by the Depository.

Two ADSs represents ownership interests in one Share, and any and all securities, cash or other property deposited with the Depository in respect of such Shares but not distributed to ADS holders.

ADSs may be held either (a) directly, by having an ADR in physical certificated form registered in the holder's name, (b) indirectly, through the holder's brokerage or safekeeping account or (c) by holding a “Direct Registration ADR” in book-entry form in the “Direct Registration System,” the system established by the Depository Trust Company (“**DTC**”) for the uncertificated registration of ownership of securities utilized by the Depository to record the ownership of ADRs without the issuance of certificates, in which case the ownership is evidenced by periodic statements issued by the Depository to the holders of ADRs entitled thereto. If a holder holds the ADSs indirectly through its brokerage or safekeeping account, it must rely on the procedures of its broker or other financial institution to assert the rights of ADS holders described in this section. If applicable, you should consult with your broker or financial institution to find out what those procedures are. Banks and brokers typically hold securities such as the ADSs through participants in the DTC clearing and settlement system. ADSs held through DTC will be registered in the name of a nominee of DTC.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

We do not treat ADS holders as Shareholders, and ADS holders have no Shareholder rights. Cayman Islands law governs Shareholder rights. Because the Depository actually holds the legal title to the Shares represented by ADSs (through the Depository's custodian), ADS holders must rely on it to exercise the rights of a Shareholder. The obligations of the Depository are set out in the deposit agreement among us, Citibank, N.A. and our ADS holders and beneficial owners from time to time. The deposit agreement, the ADSs and the ADRs evidencing ADSs are governed by the law of the State of New York without giving effect to the application of the conflict of law principles thereof.

Converting Shares Trading in Hong Kong into ADSs

An investor who holds Shares registered in Hong Kong and wishes to convert them to ADSs to trade on the NYSE must deposit or cause his or her broker to deposit the Shares with the Depository's Hong Kong custodian, Citibank, N.A.—Hong Kong, or the custodian, in exchange for ADSs.

A deposit of Shares trading in Hong Kong in exchange for ADSs involves the following procedures:

- If Shares have been deposited with CCASS, the investor must transfer the Shares to the Depository's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- If Shares are held outside CCASS, the investor must arrange to deposit his or her Shares into CCASS for delivery to the Depository's account with the custodian within CCASS, and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees and payment or net of the Depository's fees and expenses, if applicable, and subject in all cases to the terms of the deposit agreement, the Depository will issue the corresponding number of ADSs in the name(s) requested by an investor and will deliver our ADSs to the designated DTC account of the person(s) designated by an investor or his or her broker if such ADSs are to be held in book-entry form through DTC's "Direct Registration System".

For Shares deposited in CCASS, under normal circumstances, the above steps generally require two business days. For Shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the Depository may from time to time be closed to ADS issuances. The investor will be unable to trade our ADSs until the procedures are completed.

Converting ADSs to Shares Trading in Hong Kong

We have established a branch register of members in Hong Kong, or the Hong Kong Share Register, which will be maintained by the Hong Kong Share Registrar, Tricor Investor Services Limited. Our

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

principal register of members will continue to be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited.

For the purpose of trading on the Stock Exchange, the Shares must be registered on the Hong Kong Share Register. In order to facilitate the investors with a more timely and cost-effective conversion process from ADSs to Shares trading in Hong Kong, a portion of the underlying Shares represented by our ADSs will be removed from the Cayman share register and entered into the Hong Kong share register.

An investor who holds ADSs directly and wishes to trade Shares on the Stock Exchange must withdraw Shares from our ADS program and cause his or her broker or other financial institution to trade such Shares on the Stock Exchange.

An investor that holds ADSs indirectly through a broker or other financial institution should follow the procedure of the broker or financial institution and instruct the broker to arrange for cancellation of our ADSs, and transfer of the underlying Shares from the Depository's account with the custodian within the CCASS system to the investor's designated CCASS account.

For investors holding ADSs directly, the following steps must be taken:

- To withdraw Shares from our ADS program, an investor who holds ADSs may turn in such ADRs evidencing such ADSs at the office of the Depository (and the applicable ADR(s) if our ADSs are held in certificated form), and send an instruction to cancel such ADSs to the Depository.
- Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees and payment of CCASS' fees and expenses, if applicable, and subject in all cases to the terms of the deposit agreement, the Depository will instruct the custodian to deliver Shares underlying the canceled ADSs to the CCASS account designated by an investor.
- If an investor prefers to receive Shares outside CCASS, he or she must receive Shares in CCASS first and then arrange for withdrawal from CCASS. Investors can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register Shares in their own names with the Hong Kong Share Registrar.

For Shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Shares on the Stock Exchange until the procedures are completed. Temporary delays may arise. For example, the transfer books of the Depository may from time to time be closed to ADS cancellations. In addition, completion of the above steps and procedures for delivery for Shares in a CCASS account is subject to there being a sufficient number of Shares on the Hong Kong Share Register to facilitate a withdrawal from the ADS program directly into the CCASS system. We are not under any obligation to maintain or increase the number of Shares on the Hong Kong Share Register to facilitate such withdrawals.

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In the event that there are no sufficient number of Shares on the Hong Kong share register in the account of the Depository's custodian at CCASS to satisfy a cancellation of ADSs and withdrawal of Shares in whole or in part, such withdrawal shall be in the form of Shares on the Hong Kong share register to the extent available with the balance to be in the form of Shares on the Company's principal share register in the Cayman Islands. The Depository is not under any obligation, and has no ability, to maintain or increase the number of Shares held by its custodian on the Hong Kong share register to facilitate such withdrawals.

Depository Requirement

Before the Depository delivers ADSs or permits withdrawal of Shares, the Depository may require:

- payment of all amounts required pursuant to the deposit agreement, including the issuance and cancellation fees therein, any stock transfer or other tax or other governmental charges and any stock transfer or registration fees in effect;
- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including completion and presentation of transfer documents.

The Depository may refuse to deliver, transfer, or register issuances, transfers and cancellations of ADSs generally when the transfer books of the Depository or the Hong Kong Share Registrar or our principal registrar in the Cayman Islands are closed or at any time if the Depository or we determine it advisable to do so, subject to such refusal complying with U.S. federal securities laws.

All costs attributable to the conversion of ADSs to Shares trading in Hong Kong and *vice versa* will be borne by the investor requesting the conversion and transfer. In particular, holders of Shares and ADSs should note that the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Listing Rules), for each transfer of Shares from one registered owner to another, each Share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of Shares and ADSs must pay up to U.S. 5¢ per ADS for each issuance of ADSs and each cancellation of ADSs, as the case may be, in connection with the deposit of Shares into, or withdrawal of Shares from, our ADS program.

Dividends

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on the Hong Kong share register, by ordinary post, at the Shareholder's risk, to the registered address of each Shareholder.

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PROPOSED LIQUIDITY ARRANGEMENTS

Intended Liquidity Activities during the Designated Period

Upon the Listing and during the Designated Period (being 30 calendar days from and including the Listing Date), the Designated Dealer and/or its affiliate(s) will, consider to carry out, or under the circumstances that the trades cannot be undertaken by the Designated Dealer and/or its affiliate(s) as a result of technical failures in relation to malfunction of hardware component and/or software bug of the Designated Dealer and/or its affiliate(s) that go beyond the control of the Designated Dealer and/or its affiliates, request the Alternate Designated Dealer to carry out, certain arbitrage, bridging and/or other trading activities (the “**Liquidity Activities**”) in circumstances as described below. Certain Liquidity Activities envisaged to be carried out by the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) during the Designated Period may constitute short-selling (or be deemed to constitute short-selling) under applicable Hong Kong laws and regulations. The Rules and Regulations of the Exchange and the Options Trading Rules (“**Rules of the Exchange**”) prohibit short-selling save for short selling of Designated Securities (as defined in the Rules of the Exchange) during the Pre-opening Session (as defined in the Rules of the Exchange), the Continuous Trading Session (as defined in the Rules of the Exchange) or the Closing Auction Session (as defined in the Rules of the Exchange). In this regard, the Designated Dealer and the Alternate Designated Dealer have applied for, and the Stock Exchange has granted, an exemption in order to permit the Designated Dealer and the Alternate Designated Dealer to conduct the proposed Liquidity Activities described below which may constitute (or may be deemed to constitute) short-selling of securities during the Pre-opening Session, the Continuous Trading Session or the Closing Auction Session in circumstances where the Shares are not Designated Securities within the Designated Period. In addition, the Designated Dealer and the Alternate Designated Dealer, have applied to the Stock Exchange for, and the Stock Exchange has granted an exemption from the regulation that a short sale shall not be made on the Stock Exchange below the POS reference price (as defined in the Rules of the Exchange) during the Pre-opening Session, the best current ask price during the Continuous Trading Session, or the CAS reference price (as defined in the Rules of the Exchange) during the Closing Auction Session except where the Designated Security is a Market Making Security (as defined in the Rules of the Exchange) approved by the SFC to be excluded from the application of this regulation.

No person other than the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) is permitted to enter into short sales of the Shares on the Stock Exchange during the Designated Period or thereafter unless the Shares are designated for short selling by the Stock Exchange. Upon the expiry of the Designated Period, the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) will not be able to engage in short sales of the Shares on the Stock Exchange unless the Shares are designated for short selling by the Stock Exchange.

The Liquidity Activities are expected to contribute to the liquidity of Shares trading in Hong Kong upon the Listing while arbitrage trades may reduce potential material divergence between the prices of the Shares quoted on the Stock Exchange and our ADSs quoted on the NYSE.

- (1) The Designated Dealer and/or Alternate Designated Dealer and/or their respective affiliate(s) will closely monitoring the trading of Shares in Hong Kong upon the Listing and during the

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Designated Period and continuing to replenish their Share inventory. The Designated Dealer and/or Alternate Designated Dealer and/or their respective affiliate(s) will adopt various pre-determined quantitative and other parameters, including continuous monitoring of bid/ask price, closing price, last recorded price, day high/low price, trading volume, intra-day volatility, availability of sell orders in the market, macro backdrop, sector and company related news, in order to form trading decisions on a real-time basis and to further provide facilitation services to buyers and sellers where necessary and appropriate. For instance, the Designated Dealer and/or Alternate Designated Dealer and/or their respective affiliate(s) will monitor the market closely to ensure on a timely basis such sell orders are placed in the market as necessary to provide and facilitate liquidity while maintaining an orderly and fair market. They will consider increasing sell orders while ensuring that they do not artificially push down share price. On the other hand, should supply exceed demand, they may opt to further build up their inventory by purchasing Shares on the Stock Exchange.

- (2) The Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) will also seek to carry out arbitrage trades in line with market practice in the context of dual listed stock and subject to the applicable laws and regulations (including not to sell to persons in the U.S.). Arbitrage trades are envisaged to be carried out where (a) there exists a meaningful price differential (the “**Price Differential**”) between prices of the Shares quoted on the Stock Exchange and our ADSs quoted on the NYSE (as determined by the Designated Dealer) for a reasonable length of time (from time to time at the Designated Dealer’s sole discretion); and (b) the Designated Dealer or the Alternate Designated Dealer and/or their respective affiliate(s) is able to purchase sufficient quantities of Shares to address such Price Differentials when they arise and to contribute towards trading liquidity to a meaningful extent. In relation to the Listing, it is envisaged that a typical arbitrage trade may be executed if and when the price of the Shares quoted on the Stock Exchange is meaningfully higher than the price of our ADSs quoted on the NYSE, in which case the Designated Dealer and/or the Alternate Designated Dealer and/or their respective affiliate(s) will seek to purchase our ADSs at the lower price on the NYSE and sell Shares at the higher price in Hong Kong.

Furthermore, as the Hong Kong and the U.S. stock markets are in different time zones and there is no overlapping of trading hours between the two markets, it is expected that (i) at the time when the Hong Kong stock market is closed and the U.S. stock market is opened (which is indeed on the same trading day in light of the different time zones), if there is a meaningful Price Differential between the ADSs trading on the NYSE and the closing price of the Shares traded on the Stock Exchange on that trading day in Hong Kong, the Designated Dealer and/or the Alternate Designated Dealer and/or their respective affiliate(s) may purchase ADSs on the NYSE and then short sell the underlying shares of the ADSs withdrawn from the ADS program and transferred to Hong Kong on the Stock Exchange subsequently when the Hong Kong stock market opens; and (ii) at the time when the Hong Kong stock market is opened and the U.S. stock market is closed, if there is a meaningful Price Differential between the Shares trading on the Stock Exchange and the closing price of the ADSs traded on the NYSE on the immediately preceding trading day in the U.S., the Designated Dealer and/or the Alternate Designated Dealer

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and/or their respective affiliate(s) may short sell the Shares on the Stock Exchange first and purchase the ADSs withdrawn from the ADS program and transfer the underlying shares to Hong Kong subsequently for settlement of the sale of Shares in Hong Kong, provided that they are able to purchase sufficient quantities of Shares or ADSs to address such Price Differentials when they arise and to contribute towards trading liquidity to a meaningful extent. In the event that the ADSs are trading on the NYSE on a particular day and that day is a public holiday in Hong Kong, it is expected that the Price Differential will be determined by comparing the trading price of the ADSs on the NYSE with the closing price of the Shares traded on the Stock Exchange on the immediately preceding trading day in Hong Kong.

The typical cost of executing an arbitrage trade is minimal and should constitute a small percentage of our Share/ADS price. In the Hong Kong context, the typical cost comprises stamp duty (0.13%), trading fee (0.00565%), SFC transaction levy (0.0027%) and Accounting and Financial Reporting Council (AFRC) transaction levy (0.00015%), while in the context of our ADSs traded on NYSE, the typical cost comprises mainly the cost of conversion of ADSs to Shares trading in Hong Kong charged by the depositary. Nonetheless, as the Designated Dealer and the Alternate Designated Dealer envisage, for arbitrage trades to occur, the Price Differential would need to exceed such transaction costs and the risk premium as perceived by the Designated Dealer or the Alternate Designated Dealer (as appropriate) (including but not limited to considering factors such as price volatility and market liquidity on both markets).

- (3) For the Designated Dealer and the Alternate Designated Dealer to contribute meaningfully towards the liquidity of trading in the Shares in the Hong Kong market, there should be no trading or exchange disruption in, or early closure (other than due to different trading hours) of, one or both stock exchanges. An affiliate of the Designated Dealer has also entered into the Stock Borrowing and Lending Agreement with Tun Kung Company Limited, one of the shareholders of the Company (the “**Lender**”) to ensure that the Designated Dealer and/or the Alternate Designated Dealer will have ready access to appropriate quantities of Shares for settlement purposes upon the Listing and during the Designated Period.
- (4) The Stock Borrowing and Lending Agreement was entered into on April 11, 2023, which will come into effect from the first day of the Designated Period. Pursuant to the Stock Borrowing and Lending Agreement, the affiliate of the Designated Dealer can borrow up to 28,652,716 Shares, representing 2.5% of the Company’s total issued and outstanding Shares immediately upon Listing (assuming no further Shares are issued under the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes), subject to applicable laws, rules and regulations in the U.S. and Hong Kong, including that the lending and the subsequent acceptance of redelivery of any Shares by the Lender, and the borrowing and the subsequent redelivery of any Shares by the Designated Dealer and/or its affiliate(s), will not lead to either party being obliged to make a mandatory general offer under the Takeovers Code in Hong Kong or that an exemption in this regard has been granted by the SFC (if applicable).

Such Shares will be used for settlement in connection with the Liquidity Activities carried out by the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) in

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Hong Kong. These Shares will be registered on the Hong Kong Share Register prior to the Listing and admitted into CCASS prior to and upon Listing.

The Stock Borrowing and Lending Agreement provide, *inter alia*, that all of the Shares borrowed shall be returned to the Lender not later than ten business days after the expiry of the Designated Period (the “**Re-delivery Date**”), which may be postponed in case irrevocable instruction to effect the process for re-delivering and transfer of the borrowed Shares on Hong Kong share register or in CCASS (as the case may be) has been given but such process is not completed on or before the Re-delivery Date. To close out the borrowed positions, the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) may purchase Shares on the Stock Exchange and/or ADSs on the NYSE or use any unutilised Shares registered on the Hong Kong Share Register and transfer such Shares to the Lender. If necessary, the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) may repeat the process or alternatively may purchase ADSs from the NYSE or Shares from the Stock Exchange, in order to provide additional liquidity to meet demand for the Shares in the Hong Kong market during the Designated Period.

- (5) The Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) will continue to replenish their respective inventory of Shares while carrying out the arbitrage trades. When a buy order has been executed on the NYSE and a sale order has been executed on the Stock Exchange, the Designated Dealer or the Alternate Designated Dealer (as appropriate) or their respective affiliate(s) will instruct the Depositary to cancel our ADSs and withdraw the underlying Shares from our ADS Program and deliver the Shares to the CCASS account designated by the Designated Dealer or the Alternate Designated Dealer (as appropriate) or their respective affiliate(s) to replenish its Shares inventory for further trading. While such transfer of Shares takes place, the Designated Dealer and/or the Alternate Designated Dealer and/or their respective affiliate(s) will utilize the Shares borrowed under the Stock Borrowing and Lending Agreement for settlement of the sale made in Hong Kong.
- (6) The Designated Dealer and the Alternate Designated Dealer have each set up a designated dealer identity number, being 7695 and 7696, respectively, solely for the purposes of carrying out the Liquidity Activities in Hong Kong, in order to ensure identification and thereby enhance transparency of such trades in the Hong Kong market. Any change in such designated dealer identity number will be disclosed as soon as practicable by way of announcement on the website of Stock Exchange and will be posted by us on our website as well as our company’s filings with the SEC published on the SEC’s website on or before the first day of the Listing.
- (7) The Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) will enter into such Liquidity Arrangements (including the Liquidity Activities) with a view to contributing towards the liquidity of the Shares in Hong Kong, and they intend for such Liquidity Arrangements to constitute proprietary transactions.

It is emphasized that, other than the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s), arbitrage trades may be carried out by other market participants who have access

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to the Shares as well as other existing Shareholders who may have transferred part or all of their shareholdings to Hong Kong upon the commencement of trading (or thereafter) provided that none of the arbitrage trades conducted by them constitute (or be deemed to constitute) short selling of the Shares. Such trades will depend on the extent of price differentials between the two stock exchanges, and the number of market participants (other than the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s)) who elect to enter into such arbitrage trades.

The Liquidity Activities will be entered into in accordance with all applicable laws, rules and regulations in the U.S. and Hong Kong. The Liquidity Arrangements being implemented in connection with the Listing are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering.

It should be noted that each of the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) may, in connection with the proposed Liquidity Activities, maintain a long position in the Shares. There is no certainty regarding the extent, time or the period for which each of the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) may maintain such a long position in the Shares. The liquidation of any such long position by the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) may have an adverse impact on the market price of the Shares.

There are no laws prohibiting existing Shareholders from disposing of their Shares under Hong Kong law. Under the Listing Rules, apart from the restriction under Rule 10.07(1) of the Listing Rules, there are no other restrictions on existing Shareholders in relation to the disposal of Shares. The disposal of Shares by existing Shareholders shall also comply with the requirements under the securities laws of the United States.

Spread of Shareholdings

It is expected that the following measures and factors will assist in creating and/or improving the spread of holdings of the Shares available for trading on the Stock Exchange following the Listing:

- As the Shares are of one and the same class, holders of ADSs may at their discretion convert ADSs to Shares trading in Hong Kong upon or after the Listing, as described in the sub-section headed “—Converting ADSs to Shares Trading in Hong Kong” above. To the extent that holders of ADSs elect to cancel our ADSs and receiving Shares trading in Hong Kong shortly after the Listing, such Shares may help contribute to the general liquidity of the Shares in the Hong Kong market.
- As indicated in the sub-section headed “—Proposed Liquidity Arrangements” above, the Lender has made available up to 28,652,716 Shares, representing 2.5% of the Company’s total issued and outstanding Shares immediately upon Listing (assuming no further Shares are issued under the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes), to the Designated Dealer and the Alternate Designated Dealer which will be used for settlement in connection with the Liquidity Activities carried out by the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) in Hong Kong and to provide liquidity of the Shares.

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- In conducting arbitrage trades, the Designated Dealer and the Alternate Designated Dealer are effectively acting as conduits to convert some of the trading liquidity of our ADSs on the NYSE to the Shares on the Stock Exchange.

Our Directors and the Company consider that, having regard to the arrangements described in the sub-sections headed “Proposed Liquidity Arrangements” and “Investor Education” in this section, all reasonable efforts have been made to facilitate the conversion of ADSs to Shares tradable on the Stock Exchange to provide the basis for an open market at the time of the Listing.

Benefits of the Liquidity Arrangements

We believe that the Liquidity Arrangements will benefit the Listing in the following ways:

- arbitrage trades are intended to be carried out by the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) during the Designated Period where there exists a meaningful price differential between the price of Shares traded on the Stock Exchange and the price of ADSs traded on the NYSE and are expected to contribute to the liquidity of the Shares in the Hong Kong market upon the Listing;
- arbitrage trades, by their nature, would typically contribute to reducing potential material divergence between the price of Shares traded on the Stock Exchange and the price of ADSs traded on the NYSE; and
- the Liquidity Arrangements are perceived to be a mechanism which is fair to all market participants who have access to the Shares, as it is open to all of the Shareholders and holder of our ADSs and other market participants who have such access to carry out arbitrage trades similar to those to be carried out by the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s) provided that none of the arbitrage trades conducted by them constitute (or be deemed to constitute) short selling of the Shares.

Disclosure of the Liquidity Arrangements

In order to enhance transparency of the Liquidity Arrangements, various measures to provide information to the market and potential investors will be undertaken as described in the sub-section headed “Investor Education” below.

Further, the Company will, as soon as practicable and in any event before the commencement of trading hours on the business day immediately before the first day of the Listing (Hong Kong time), release an announcement on the Stock Exchange to inform the investing public of the total number of Shares which have been removed from the Company’s principal share register in the Cayman Islands and be registered on the Hong Kong Share Register.

In respect of the arbitrage trades to be carried out by the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s), each of the Designated Dealer and the Alternate

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Designated Dealer has set up a designated dealer identity number solely for the purposes of carrying out such trades in Hong Kong, in order to ensure identification and thereby enhance transparency of the trades in the Hong Kong market.

In addition, where applicable, the arbitrage trades carried out by the Designated Dealer and the Alternate Designated Dealer and/or their respective affiliate(s), as well as the transactions under the Stock Borrowing and Lending Agreement, will also be disclosed in accordance with the disclosure of interests regime under the provisions of Part XV of the SFO and any applicable laws and regulations under the laws of the U.S.

INVESTOR EDUCATION

Arrangements Involving the Company and the Joint Sponsors

Prior to the Listing, the Company and the Joint Sponsors will cooperate to inform the investor community of general information about the Company, as well as the developments and/or changes to the Liquidity Arrangements as disclosed in this document. After the Listing has taken place, the Company and the Joint Sponsors may continue to take measures to educate the public. Subject to the applicable law, the following measures may be taken to enhance transparency of the Company and the Liquidity Arrangements as appropriate:

- media briefings and press interviews to inform investors of the Liquidity Arrangements;
- analyst briefings to local brokerages/research houses;
- investors relation activities, such as a non-deal road show, to maintain the interest of investors in the Shares and our business;
- information fact sheets on the Company generally to be posted on the websites of the Company and the SEC;
- information, including the previous day closing price of our ADS quoted on the NYSE, trading volume and other relevant historical trading data will be disclosed by way of a daily announcement on the websites of the Company and the Stock Exchange during a period of three business days prior to the commencement of dealings in the Shares on the Stock Exchange;
- details of the available pool of Shares (with the aggregate number of Shares which have been registered on the Hong Kong Share Register and the inventory held by the Designated Dealer and the Alternate Designated Dealer, and their respective designated broker identity number(s) for carrying out the Liquidity Activities) at the time of the Listing to meet the demand in the Hong Kong market will be disclosed by way of an announcement on the websites of the Company and the Stock Exchange not later than one business day before the commencement of trading of the Shares on the Stock Exchange;

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- information on the developments and updates of the Liquidity Arrangements will be disclosed by way of an announcement on the websites of the Company and the Stock Exchange; and
- electronic copies of this document will be disseminated through the respective website of the Company and the Stock Exchange.

Other Sources of Information

Real-time trading information in respect of the Shares can be obtained from the following sources:

- **Company Name** Designated Website

NYSE **www.nyse.com**

or

- through service providers that provide such facilities at investors' own expense. Such service will be provided on and subject to the terms and conditions of the relevant service provider.

Historical Trading Information in respect of our ADSs on the NYSE

Historical trading prices may not be indicative of the prices at which the Shares will trade following completion of the Listing. Please see "Risk Factors—Risks Relating to the Dual Listing—The characteristics of the U.S. capital markets and the Hong Kong capital markets are different." in this document in relation to the relevant risk.

Our ADSs commenced trading on the NYSE on October 30, 2020. The following table sets forth for the periods indicated the reported highs, lows, month ends and monthly averages of the closing trading prices on the NYSE for our ADSs from the commencement of trading of our ADSs on the NYSE until the Latest Practicable Date. For illustrative purpose, the table also sets forth the illustrative closing trading prices in Hong Kong dollars (converted based on HKD0.13=USD1) per Share (converted based on two ADSs representing one Share).

	<u>High</u>		<u>Low</u>		<u>Month End</u>		<u>Monthly average</u>	
	<i>(HKD/ per Share converted based on (USD/ two ADSs per representing ADS) one Share)</i>		<i>(HKD/ per Share converted based on (USD/ two ADSs per representing ADS) one Share)</i>		<i>(HKD/ per Share converted based on (USD/ two ADSs per representing ADS) one Share)</i>		<i>(HKD/ per Share converted based on (USD/ two ADSs per representing ADS) one Share)</i>	
							<i>(Note 1)</i>	<i>(Note 2)</i>
2020								
October (since October 30, 2020)	12.85	201.72	12.85	201.72	12.85	201.72	12.85	201.72
November	19.72	309.56	12.66	198.73	16.47	258.54	15.53	243.73
December	16.80	263.72	13.26	208.15	14.20	222.91	14.47	227.07

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	High		Low		Month End		Monthly average	
	<i>(HKD/ per Share converted based on two ADSs (USD/ per representing ADS) one Share)</i>		<i>(HKD/ per Share converted based on two ADSs (USD/ per representing ADS) one Share)</i>		<i>(HKD/ per Share converted based on two ADSs (USD/ per representing ADS) one Share)</i>		<i>(HKD/ per Share converted based on two ADSs (USD/ per representing ADS) one Share)</i>	
							<i>(Note 1)</i>	<i>(Note 2)</i>
2021								
January	16.78	263.41	13.80	216.63	15.94	250.22	14.81	232.45
February	17.44	273.77	15.02	235.78	15.02	235.78	16.53	259.49
March	15.90	249.60	13.56	212.86	14.52	227.93	14.80	232.36
April	14.72	231.07	11.90	186.80	11.90	186.80	13.82	216.92
May	12.61	197.95	10.31	161.84	12.19	191.36	11.75	184.44
June	12.76	200.30	11.30	177.39	11.30	177.39	12.26	192.42
July	11.18	175.50	7.40	116.16	7.50	117.73	9.05	142.08
August	9.02	141.59	7.08	111.14	8.67	136.10	8.14	127.75
September	9.02	141.59	6.98	109.57	6.98	109.57	7.84	123.00
October	7.53	118.20	6.31	99.05	6.31	99.05	7.07	110.95
November	7.39	116.01	6.05	94.97	6.38	100.15	6.70	105.25
December	6.54	102.66	5.19	81.47	5.63	88.38	5.91	92.79
2022								
January	5.66	88.85	4.26	66.87	4.97	78.02	4.93	77.37
February	6.65	104.39	4.58	71.90	6.47	101.56	5.81	91.18
March	6.75	105.96	4.51	70.80	5.57	87.44	5.80	91.06
April	6.06	95.13	4.98	78.18	5.55	87.12	5.52	86.70
May	6.29	98.74	4.72	74.09	6.29	98.74	5.68	89.11
June	6.82	107.06	6.00	94.19	6.00	94.19	6.24	97.92
July	6.21	97.48	4.58	71.90	4.58	71.90	5.22	81.89
August	4.58	71.90	3.91	61.38	4.37	68.60	4.20	66.01
September	4.19	65.77	2.52	39.56	2.54	39.87	3.51	55.16
October	2.62	41.13	1.47	23.08	1.59	24.96	1.96	30.82
November	2.34	36.73	1.40	21.98	1.86	29.20	1.71	26.81
December	2.30	36.10	1.74	27.31	1.94	30.45	2.04	32.04
2023								
January	3.24	50.86	1.94	30.45	3.05	47.88	2.61	40.96
February	3.29	51.65	2.16	33.91	2.16	33.91	2.59	40.67
March	2.35	36.89	1.84	28.88	2.04	32.02	2.03	31.82
April (up to the Latest Practicable Date)	2.09	32.81	2.09	32.81	2.09	32.81	2.09	32.81

Notes:

- (1) Monthly average refers to the average closing price per ADS traded on the NYSE during the relevant month.
- (2) This refers to the illustrative monthly average closing trading price in Hong Kong dollars per Share (converted based on two ADSs representing one Share) during the relevant month.
- (3) All the trading prices are rounded to two decimal places.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

The following table sets forth the maximum daily and average daily trading volume and turnover of each month of our ADSs from the commencement of trading of our ADSs on the NYSE until the Latest Practicable Date:

	Maximum Daily Trading Volume		Average Daily Trading Volume		Average Daily Turnover
	<i>(ADSs Shares in millions)</i>	<i>(as % of total underlying ADSs)</i>	<i>(ADSs in millions)</i>	<i>(as % of total underlying ADSs)</i>	<i>(USD in million)</i>
2020					
October (since October 30, 2020)	33.7	1.4%	33.7	1.4%	432.1
November	31.8	1.3%	13.0	0.5%	201.0
December	9.1	0.4%	5.0	0.2%	72.7
2021					
January	11.4	0.5%	4.9	0.2%	73.7
February	10.9	0.4%	4.3	0.2%	71.6
March	6.3	0.3%	3.0	0.1%	43.8
April	10.8	0.4%	4.6	0.2%	62.1
May	17.3	0.7%	6.6	0.3%	75.8
June	28.5	1.2%	6.2	0.3%	76.0
July	33.9	1.4%	8.1	0.3%	71.3
August	18.9	0.8%	8.2	0.3%	66.9
September	22.7	0.9%	7.6	0.3%	59.9
October	12.7	0.5%	6.2	0.3%	43.6
November	26.6	1.1%	7.6	0.3%	50.7
December	28.9	1.2%	9.3	0.4%	55.2
2022					
January	17.8	0.8%	8.2	0.4%	41.0
February	77.5	3.4%	12.0	0.5%	74.1
March	28.3	1.2%	13.3	0.6%	75.7
April	10.2	0.4%	6.4	0.3%	35.3
May	36.3	1.6%	8.2	0.4%	47.3
June	48.1	2.1%	10.6	0.5%	66.2
July	12.2	0.5%	6.9	0.3%	36.1
August	22.8	1.0%	6.7	0.3%	28.5
September	10.3	0.4%	5.7	0.2%	19.1
October	26.0	1.1%	15.4	0.7%	29.7
November	45.4	2.0%	19.2	0.8%	32.7
December	48.8	2.1%	18.4	0.8%	37.9
2023					
January	41.5	1.8%	21.8	1.0%	57.8
February	26.2	1.1%	14.0	0.6%	37.4
March	26.7	1.2%	11.6	0.5%	24.7
April (up to the Latest Practicable Date)	5.9	0.3%	5.9	0.3%	12.3

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

Inventory of Shares to meet Hong Kong demand

Taking into account, among other things, (i) the average daily trading volume of our ADSs traded on the NYSE since October 2020 and in the 30 months ended the Latest Practicable Date; (ii) the maximum daily and average daily trading volume of shares of comparable United States-listed China-based companies recently listed in the Hong Kong through secondary and dual primary listings with turnover similar to that of the Company and (iii) the maximum daily and average daily trading volume of shares of comparable companies recently listed in the Hong Kong by way of introduction, the Joint Sponsors believe that the above arrangements should provide a reasonable basis to facilitate the development of an open and orderly market in Hong Kong for the Shares.

Please see the section headed “Business—Our Strategies” in this document for details.

REASONS FOR THE DUAL PRIMARY LISTING

The Introduction does not involve any offering of new Shares or a public offering of any other securities and no new proceeds will be raised pursuant to the Introduction. Our Directors consider that it is desirable and beneficial for the Company to have dual primary listing status in both Hong Kong and the NYSE so that the Company can have ready access to these different equity markets when opportunity arises. We believe the two markets attract different investor profiles, thereby widening the investor base of the Company and increasing the liquidity of the Shares. In particular, dual primary listing status in both Hong Kong and the NYSE enables us to benefit from our exposure to a wider range of private and institutional investors. Our Directors believe that a listing in Hong Kong is in line with our focus on our operations in the PRC, which is important for our growth and long-term strategic development.

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LUFAX HOLDING LTD AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED, MORGAN STANLEY ASIA LIMITED AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of Lufax Holding Ltd (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-136, which comprises the consolidated statements of financial position as of December 31, 2020, 2021 and 2022, the statements of financial position of the Company as of December 31, 2020, 2021 and 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2020, 2021 and 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-136 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated April 11, 2023 (the "Listing Document") in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Notes 3.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Notes 3.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as of December 31, 2020, 2021 and 2022 and the consolidated financial position of the Group as of December 31, 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for each of the years then ended in accordance with the basis of preparation set out in Notes 3.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-3 have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
April 11, 2023

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the previously issued financial statements of the Group for the financial years ended December 31, 2020, 2021 and 2022 ("Historical Financial Statements"). The previously issued financial statements for the years ended December 31, 2020, 2021 and 2022 were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Technology platform-based income	6	41,221,842	38,294,317	29,218,432
Net interest income	7	7,750,460	14,174,231	18,981,376
Guarantee income		601,644	4,370,342	7,372,509
Other income	8	1,517,042	3,875,407	1,238,004
Investment income	9	939,899	1,151,753	1,305,625
Share of net profit/(loss) of investments accounted for using the equity method		14,837	(31,143)	(218)
Total income		52,045,724	61,834,907	58,115,728
Sales and marketing expenses	10	(17,813,557)	(17,993,072)	(15,756,916)
General and administrative expenses	10	(2,975,544)	(3,559,323)	(2,830,119)
Operation and servicing expenses	10	(6,031,297)	(6,557,595)	(6,429,862)
Technology and analytics expenses	10	(1,792,081)	(2,083,994)	(1,872,454)
Credit impairment losses	11	(3,035,188)	(6,643,727)	(16,550,465)
Asset impairment losses	24,26	(7,168)	(1,100,882)	(427,108)
Finance costs	12	(2,865,654)	(995,515)	(1,238,992)
Other gains/(losses) – net	13	384,270	499,379	3,459
Total expenses		(34,136,219)	(38,434,729)	(45,102,457)
Profit before income tax expenses		17,909,505	23,400,178	13,013,271
Less: Income tax expenses	14	(5,633,265)	(6,691,118)	(4,238,232)
Net profit for the year		12,276,240	16,709,060	8,775,039
Net profit attributable to:				
Owners of the Company		12,354,114	16,804,380	8,699,369
Non-controlling interests		(77,874)	(95,320)	75,670
		12,276,240	16,709,060	8,775,039
Other comprehensive income/(loss), net of tax:				
– Exchange differences on translation of foreign operations		614,651	28,282	(1,580,849)
Total comprehensive income for the year		12,890,891	16,737,342	7,194,190
Total comprehensive income attributable to:				
Owners of the Company		12,968,513	16,832,782	7,118,117
Non-controlling interests		(77,622)	(95,440)	76,073
		12,890,891	16,737,342	7,194,190
Earnings per share (expressed in RMB per share)				
– Basic earnings per share	15	11.19	14.22	7.60
– Diluted earnings per share	15	11.10	13.38	7.58
– Basic earnings per ADS	15	5.59	7.11	3.80
– Diluted earnings per ADS	15	5.55	6.69	3.79

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As of December 31,		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
ASSETS				
Cash at bank	16	24,158,568	34,743,188	43,882,127
Restricted cash	16	23,029,588	30,453,539	26,508,631
Financial assets at fair value through profit or loss	17	34,423,897	31,023,211	29,089,447
Financial assets at amortized cost	18	6,563,969	3,784,613	4,716,448
Financial assets purchased under reverse repurchase agreements	19	700,007	5,527,177	–
Accounts and other receivables and contract assets	20	23,325,978	22,344,773	15,758,135
Loans to customers	21	119,825,814	214,972,110	211,446,645
Deferred tax assets	22	3,358,664	4,873,370	4,990,352
Property and equipment	23	424,043	380,081	322,499
Investments accounted for using the equity method		489,931	459,496	39,271
Intangible assets	24	1,882,462	899,406	885,056
Right-of-use assets	25	973,547	804,990	754,010
Goodwill	26	9,046,830	8,918,108	8,911,445
Other assets	27	686,949	1,249,424	1,958,741
Total assets		248,890,247	360,433,486	349,262,807
LIABILITIES				
Payable to platform investors	28	9,114,906	2,747,891	1,569,367
Borrowings	29	10,315,445	25,927,417	36,915,513
Bond payable	30	–	–	2,143,348
Current income tax liabilities		2,610,610	8,222,684	1,987,443
Accounts and other payables and contract liabilities	31	5,483,757	8,814,255	12,198,654
Payable to investors of consolidated structured entities	32	110,367,718	195,446,140	177,147,726
Financing guarantee liabilities	33	748,674	2,697,109	5,763,369
Deferred tax liabilities	22	5,733,733	833,694	694,090
Lease liabilities	25	979,419	794,544	748,807
Convertible promissory note payable	34	10,117,188	10,669,498	5,164,139
Optionally convertible promissory notes	35	7,530,542	7,405,103	8,142,908
Other liabilities	36	2,736,934	2,315,948	2,000,768
Total liabilities		165,738,926	265,874,283	254,476,132
EQUITY				
Share capital	37	77	75	75
Share premium	37	33,213,426	33,365,786	32,073,874
Treasury shares	38	(2)	(5,560,104)	(5,642,769)
Other reserves	39	7,418,710	9,304,995	2,158,432
Retained earnings	40	40,927,597	55,942,943	64,600,234
Total equity attributable to owners' of the Company		81,559,808	93,053,695	93,189,846
Non-controlling interests		1,591,513	1,505,508	1,596,829
Total equity		83,151,321	94,559,203	94,786,675
Total liabilities and equity		248,890,247	360,433,486	349,262,807

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As of December 31,		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
ASSETS				
Cash at bank	16	5,909,811	1,813,616	1,644,302
Financial assets at fair value through profit or loss	17	–	383,888	767,636
Financial assets at amortized cost	18	15,933,939	8,846,623	155,602
Accounts and other receivables and contract assets	20	350,584	4,641,662	1,627,343
Investments accounted for using the equity method	48(a)	77,536,740	95,872,302	106,288,653
Total assets		99,731,074	111,558,091	110,483,536
LIABILITIES				
Borrowings	29	355,203	319,926	139,054
Accounts and other payables and contract liabilities	31	168,333	74,928	3,803,643
Convertible promissory note payable	34	10,117,188	10,669,498	5,164,139
Optionally convertible promissory notes	35	7,530,542	7,405,103	8,142,908
Other liabilities		–	34,941	43,946
Total liabilities		18,171,266	18,504,396	17,293,690
EQUITY				
Share capital	37	77	75	75
Share premium	37	33,213,426	33,365,786	32,073,874
Treasury shares	38	(2)	(5,560,104)	(5,642,769)
Other reserves	39	7,418,710	9,304,995	2,158,432
Retained earnings		40,927,597	55,942,943	64,600,234
Total equity		81,559,808	93,053,695	93,189,846
Total liabilities and equity		99,731,074	111,558,091	110,483,536

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Group							Non-controlling interests RMB'000	Total Equity RMB'000
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
<i>Note</i>									
As of January 1, 2020	69	14,113,311	(2)	4,582,291	29,345,949	48,041,618	103,799	48,145,417	
Net profit for the year	–	–	–	–	12,354,114	12,354,114	(77,874)	12,276,240	
Other comprehensive income	–	–	–	614,399	–	614,399	252	614,651	
Total comprehensive income for the year	–	–	–	614,399	12,354,114	12,968,513	(77,622)	12,890,891	
Transactions with owners									
C-round restructuring	2,39	–	–	1,295,658	–	1,295,658	–	1,295,658	
Issuance of ordinary shares upon initial public offering (“IPO”) and exercise of over-allotment option	37	17,305,119	–	–	–	17,305,126	–	17,305,126	
Conversion of Class C ordinary shares and automatically convertible promissory notes to ordinary shares upon IPO	37,39	1	1,794,996	(10,268)	–	1,784,729	–	1,784,729	
Contributions from non-controlling interests	–	–	–	–	–	–	1,564,252	1,564,252	
Appropriations to general reserve	–	–	–	772,466	(772,466)	–	–	–	
Share-based payment	43	–	–	164,164	–	164,164	1,084	165,248	
As of December 31, 2020	77	33,213,426	(2)	7,418,710	40,927,597	81,559,808	1,591,513	83,151,321	

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Note	Attributable to owners of the Group							Non-controlling interests RMB'000	Total Equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000			
As of January 1, 2021	77	33,213,426	(2)	7,418,710	40,927,597	81,559,808	1,591,513	83,151,321	
Net profit for the year	-	-	-	-	16,804,380	16,804,380	(95,320)	16,709,060	
Other comprehensive income	-	-	-	28,402	-	28,402	(120)	28,282	
Total comprehensive income for the year	-	-	-	28,402	16,804,380	16,832,782	(95,440)	16,737,342	
Transactions with owners									
Repurchase of ordinary shares	38	-	(5,560,104)	-	-	(5,560,104)	-	(5,560,104)	
Retirement of ordinary shares	37,38	(2)	2	-	-	-	-	-	
Issuance of ordinary shares for share-based payment	37,38	-	-	-	-	-	-	-	
Exercise of share-based payment	37,39	-	152,360	(72,709)	-	79,651	-	79,651	
Contributions from non-controlling interests	-	-	-	-	-	-	22,333	22,333	
Acquisition of non-controlling interests of a subsidiary	-	-	-	9,487	-	9,487	(14,222)	(4,735)	
Appropriations to general reserve	-	-	-	1,789,034	(1,789,034)	-	-	-	
Share-based payment	43	-	-	132,071	-	132,071	1,324	133,395	
As of December 31, 2021	75	33,365,786	(5,560,104)	9,304,995	55,942,943	93,053,695	1,505,508	94,559,203	

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Attributable to owners of the Group							
		Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total Equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2022		75	33,365,786	(5,560,104)	9,304,995	55,942,943	93,053,695	1,505,508	94,559,203
Net profit for the year		-	-	-	-	8,699,369	8,699,369	75,670	8,775,039
Other comprehensive income		-	-	-	(1,581,252)	-	(1,581,252)	403	(1,580,849)
Total comprehensive income for the year		-	-	-	(1,581,252)	8,699,369	7,118,117	76,073	7,194,190
Transactions with owners									
Repurchase of ordinary shares	38	-	-	(82,665)	-	-	(82,665)	-	(82,665)
Capital reduction from non-controlling interests	37, 38	-	-	-	-	-	-	(1,118)	(1,118)
Exercise of share-based payment	37, 39	-	127,063	-	(68,110)	-	58,953	-	58,953
Redemption and extension of convertible promissory notes	34	-	6,209,598	-	(5,584,770)	-	624,828	-	624,828
Contributions from non-controlling interests		-	-	-	-	-	-	15,938	15,938
Dividend declared	37	-	(7,628,573)	-	-	-	(7,628,573)	-	(7,628,573)
Appropriations to general reserve		-	-	-	42,078	(42,078)	-	-	-
Share-based payment	43	-	-	-	45,491	-	45,491	428	45,919
As of December 31, 2022		75	32,073,874	(5,642,769)	2,158,432	64,600,234	93,189,846	1,596,829	94,786,675

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operating activities	42(a)	11,344,711	12,995,271	14,730,306
Income tax paid		(4,223,429)	(8,007,799)	(10,275,005)
Net cash generated from operating activities		<u>7,121,282</u>	<u>4,987,472</u>	<u>4,455,301</u>
Cash flows from investing activities				
Proceeds from sale of investment assets		151,232,710	132,430,620	99,031,093
Proceeds from sale of property and equipment		3,055	5	19,655
Interest received on investment assets		1,238,619	1,455,115	1,725,499
Payment for acquisition of investment assets		(166,531,308)	(128,591,697)	(97,732,903)
Securities purchases under agreements to resell, net		(700,007)	(4,827,170)	5,527,177
Payment for property and equipment and other long-term assets		(206,496)	(153,051)	(122,843)
Payment for acquisition of subsidiary, net of cash acquired		(40,323)	–	–
Net cash (used in)/generated from investing activities		<u>(15,003,750)</u>	<u>313,822</u>	<u>8,447,678</u>
Cash flows from financing activities				
Proceeds from issuance of shares and other equity securities		18,907,992	22,333	15,938
Including: Proceeds from capital contribution from the non-controlling shareholder of subsidiaries		1,564,252	22,333	15,938
Proceeds from exercise of share-based payment		–	43,456	95,911
Proceeds from borrowings		10,589,599	7,262,435	9,046,338
Repayment of borrowings		(2,875,672)	(1,802,187)	(5,794,772)
Redemption of convertible promissory note payable		–	–	(3,747,386)
Payment for lease liabilities		(596,575)	(663,160)	(604,172)
Payment for interest expenses		(1,151,421)	(867,715)	(1,213,186)
Payment for dividend declared		–	–	(7,717,474)
Payment for acquisition of non-controlling interests of subsidiary		–	(4,735)	–
Payment for repurchase of ordinary shares		–	(6,438,455)	–
Net cash generated from/(used in) financing activities		<u>24,873,923</u>	<u>(2,448,028)</u>	<u>(9,918,803)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>(517,865)</u>	<u>(142,607)</u>	<u>57,025</u>
Net increase in cash and cash equivalents		<u>16,473,590</u>	<u>2,710,659</u>	<u>3,041,201</u>
Add: Cash and cash equivalents at the beginning of the year		<u>7,312,061</u>	<u>23,785,651</u>	<u>26,496,310</u>
Cash and cash equivalents at the end of the year	42(c)	<u>23,785,651</u>	<u>26,496,310</u>	<u>29,537,511</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

Lufax Holding Ltd (the “Company”) was incorporated in the Cayman Islands on December 2, 2014 as an exempted company with limited liability under the *Companies Law (Revised) of the Cayman Islands*. The address of its registered office is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and with its consolidated subsidiaries and consolidated structured entities that are controlled through contractual arrangements (“Consolidated Affiliated Entities”, or “OPCO”) (collectively referred to as the “Group”) are principally engaged in core retail credit and enablement business to both borrowers and institutions (the “Listing Business”) in the People’s Republic of China (the “PRC”).

2 History and organization of the Group

The Group subscribed RMB3.5 billion or 70% of the equity interest of Ping An Consumer Finance while Ping An Group subscribed RMB1.5 billion or 30%. Ping An Consumer Finance obtained approval from China Banking and Insurance Regulatory Commission (“CBIRC”) in March, 2020 for commencement of operation and started the consumer finance business from April, 2020.

On September 30, 2020, the Company issued automatically convertible promissory notes and optionally convertible promissory notes (collectively, “Convertible Notes”) to certain holders of the Class C ordinary shares, in exchange for Class C ordinary shares held by them (collectively, the “C-round restructuring”). The automatically convertible promissory notes were converted into ordinary shares automatically upon the closing of the Company’s IPO. The optionally convertible promissory notes can be converted into an aggregate of 38,493,660 ordinary shares, without giving effect to any anti-dilutive adjustments, during the period between the completion of the IPO and September 29, 2023. The Company pays 6% annual interest to the holders of Convertible Notes until the notes are fully repaid or converted. As a result of this transaction, the Company recorded an one-time expense of USD195 million (equivalent to RMB1,326 million (refer to Note 12)) mainly due to the higher aggregate fair value of approximately Convertible Notes compared to the Class C ordinary shares.

On October 30, 2020, the Company’s American depository shares (“ADSs”) commenced trading on the New York Stock Exchange under the ticker symbol “LU”. On December 1, 2020, the underwriters partially exercised their over-allotment option to purchase additional ADSs. As a result, the Company issued and sold an aggregate of 199,155,128 ADSs in its IPO (including 24,155,128 ADSs sold upon the underwriters’ partial exercise of their over-allotment option), each two ADSs representing one ordinary share, for a total of 99,577,564 ordinary shares, at the price of USD13.5 per ADS, which raised total net proceeds of USD2,581 million (equivalent to approximately RMB17,305 million) after deducting underwriting commissions and the offering expenses payable by the Company, including USD314 million sold upon the underwriters’ partial exercise of their over-allotment options. Immediately prior to the

completion of the IPO, all of the Company's issued and outstanding Class B ordinary shares and Class C ordinary shares were automatically converted into 136,859,460 Class A ordinary shares on a one-for-one basis while all of then issued and outstanding Class A ordinary shares were re-designated and re-classified into ordinary shares on a one-for-one basis. Upon the completion of the IPO, all of the outstanding automatically convertible promissory notes were automatically converted into 7,566,665 ordinary shares at the IPO price of USD13.50 per ADS (or USD27.00 per ordinary share). As of December 31, 2020, the Company has 1,231,150,560 ordinary shares issued and outstanding (including 35,644,803 ordinary shares issued to Tun Kung Company Limited reserved for use under the Company's share incentive plans. For the year ended December 31, 2021, treasury shares of 35,644,803 were retired resulting from repurchase of shares from Tun Kung Company Limited (refer to Note 37(f)).

During 2021, the board of directors of the Company authorized share repurchase programs under which the Company could repurchase up to an aggregate of USD1 billion of its ADSs during a specific period of time. As of December 31, 2022, the Company had repurchased approximately 110 million ADSs (or 55 million ordinary shares) for approximately USD877 million under share repurchase programs.

- (a) As of December 31, 2020, and 2021, the Company had direct or indirect interests in the principal subsidiaries and the principal consolidated affiliated entities as below.

<u>Company Name</u>	<u>Country/place and date of incorporation</u>	<u>Attributable equity interest/economic interest to the Group</u>
Controlled through direct equity holding:		
Gem Blazing Limited	Cayman/May 28, 2015	100%
Wincon Hong Kong Investment Company Limited	Hong Kong/December 29, 2014	100%
Weikun (Shanghai) Technology Service Co., Ltd. ("Weikun Technology")	Shanghai/February 28, 2015	100%
Jinjiong (Shenzhen) Technology Service Company Ltd	Shenzhen/October 16, 2017	100%
Lufax Holding (Shenzhen) Technology Service Co., Ltd	Shenzhen/September 25, 2018	100%
Gem Alliance Limited	Cayman/May 26, 2015	100%
Harmonious Splendor Limited	Hong Kong/June 1, 2015	100%
Ping An Puhui Financing Guarantee Co., Ltd ("Puhui Guarantee")	Nanjing/December 25, 2007	100%
Ping An Puhui Enterprises Management Co., Ltd	Shenzhen/July 7, 2015	100%
Ping An Puhui Investment & Consulting Co., Ltd	Shenzhen/September 5, 2005	100%
Shenzhen Ping An Puhui Microloan Co., Ltd	Shenzhen/September 19, 2010	100%
Ping An Puhui Information Services Co., Ltd	Harbin/July 18, 2016	100%
Ping An Consumer Finance Co., Ltd	Shanghai/April 9, 2020	70%
Controlled through Contractual Agreements:		
Shanghai Xionguo Enterprise Management Co., Ltd. ("Xionguo")	Shanghai/December 10, 2014	100%
Shanghai Lufax Information Technology Co., Ltd	Shanghai/September 29, 2011	100%
Shenzhen Lufax Holding Enterprise Management Co., Ltd	Shenzhen/May 23, 2018	100%

The English names of certain subsidiaries of the Group represent the best effort by the Company's management to translate their Chinese names, as these subsidiaries do not have official English names.

- (b) As of December 31, 2022, the Company had direct or indirect interests in the principal subsidiaries and the principal consolidated affiliated entities as below.

<u>Company Name</u>	<u>Country/place and date of incorporation</u>	<u>Attributable equity interest/economic interest to the Group</u>
Controlled through direct equity holding:		
Gem Blazing Limited	Cayman/May 28, 2015	100%
Wincon Hong Kong Investment Company Limited	Hong Kong/December 29, 2014	100%
Weikun (Shanghai) Technology Service Co., Ltd. (“Weikun Technology”)	Shanghai/February 28, 2015	100%
Jinjiong (Shenzhen) Technology Service Company Ltd.	Shenzhen/October 16, 2017	100%
Lufax Holding (Shenzhen) Technology Service Co., Ltd.	Shenzhen/September 25, 2018	100%
Gem Alliance Limited	Cayman/May 26, 2015	100%
Harmonious Splendor Limited	Hong Kong/June 1, 2015	100%
Ping An Puhui Financing Guarantee Co., Ltd.	Nanjing/December 25, 2007	100%
Ping An Puhui Enterprises Management Co., Ltd.	Shenzhen/July 7, 2015	100%
Chongqing Jinan Microloan Co., Ltd.	Chongqing/December 25, 2014	100%
Ping An Puhui Investment & Consulting Co., Ltd.	Shenzhen/September 5, 2005	100%
Ping An Puhui Information Services Co., Ltd.	Harbin/July 18, 2016	100%
Ping An Consumer Finance Co., Ltd.	Shanghai/April 9, 2020	70%
Controlled through Contractual Agreements:		
Shanghai Xionguo Enterprise Management Co., Ltd. (“Xionguo”)	Shanghai/December 10, 2014	100%
Shanghai Lufax Information Technology Co., Ltd.	Shanghai/September 29, 2011	100%
Shenzhen Lufax Holding Enterprise Management Co., Ltd.	Shenzhen/May 23, 2018	100%

The English names of certain subsidiaries of the Group represent the best effort by the Company’s management to translate their Chinese names, as these subsidiaries do not have official English names.

- (c) The following table sets forth the major consolidated structured entities other than Consolidated Affiliated Entities of the Group as of December 31, 2022.

<u>Name</u>	<u>Amount of investment by the Group</u>	<u>Remaining paid-in capital of structured entities (i)</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Trust A	4,020,000	4,020,000
Trust B	2,490,000	2,490,000
Trust C	2,430,000	2,430,000
Trust D	1,960,000	1,960,000
Trust E	1,600,000	1,600,000
Trust F	1,501,000	1,501,000
Trust G	1,110,000	1,110,000
Trust H	18,000	1,105,645
Trust I	1,100,000	1,100,000
Trust J	18,000	1,049,772

Ping An Group also made investments in these structured entities. Meanwhile, Ping An Group also provides certain services to certain consolidated structure entities.

- (i) The remaining paid-in capital is the amount not yet paid to the investors.
- (d) PRC laws and regulations prohibit or restrict foreign ownership of companies that conduct certain internet-based business, which include activities and services provided by the Group. The Group

operates part of its business in the PRC through a series of contractual arrangements (collectively, “Contractual Arrangements”) entered into among wholly-owned subsidiaries of the Company (“WFOE”), Consolidated Affiliated Entities and the shareholders of Consolidated Affiliated Entities (“Onshore Shareholders”) that are authorized by the Group. The Contractual Arrangements include Exclusive Equity Interest Option Agreements, Exclusive Business Cooperation Arrangements, Exclusive Asset Option Agreements, Share Pledge Agreements and Voting Trust Agreements.

Under the Contractual Arrangements, the Company has the power to control the management, financial and operating policies of the Consolidated Affiliated Entities, has exposure or rights to variable returns from its involvement with the Consolidated Affiliated Entities, and has ability to use its power over the Consolidated Affiliated Entities to affect the amount of the returns. As a result, all of these Consolidated Affiliated Entities are accounted for as consolidated structured entities of the Company and their financial statements have also been consolidated by the Company. The table below sets forth the principal Consolidated Affiliated Entities of the Group as of December 31, 2020, 2021 and 2022:

<u>Contract Date</u>	<u>WFOE</u>	<u>OPCO</u>
March 23, 2015	Weikun Technology	Xiongguo
March 23, 2015	Weikun Technology	Shanghai Lufax Information Technology Co., Ltd
November 21, 2018	Lufax (Shenzhen) Technology Service Co., Ltd	Shenzhen Lufax Holding Enterprise Management Co., Ltd

The principal terms of the Contractual Arrangements are further described below:

- Exclusive Equity Interest Option Agreement

Each Onshore Shareholder (which, collectively, legally own 100% of the shares of OPCO) have irrevocably and unconditionally granted WFOE an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the equity interests in OPCO. WFOE shall be entitled to absolute discretion over the time, manner and times to exercise the option. Except for WFOE and the Designee(s), no other person shall be entitled to the Equity Interest Purchase Option or other rights with respect to the equity interests of OPCO held by any Onshore Shareholder. OPCO agreed to the grant by each Onshore Shareholder of the Equity Interest Purchase Option to WFOE.

- Exclusive Business Cooperation Agreement

OPCO appointed WFOE as OPCO’s exclusive services provider to provide OPCO with complete business support and technical and consulting services during the term of the Agreement. OPCO agreed to accept all the consultations and services provided by WFOE exclusively unless with written consent of the WFOE and to accept the consultations and services by a third party appointed by WFOE. WFOE shall provide financial support for OPCO to maintain an ordinary business.

- Exclusive Asset Option Agreement

OPCO irrevocably and unconditionally granted WFOE an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the assets then held by OPCO once or at multiple times at any time in part or in whole at WFOE’s sole and absolute discretion. WFOE is entitled to absolute discretion over the time, manner and times to exercise the Option. Except for WFOE and the Designee(s), no other person shall be entitled to the Assets Purchase Option or other rights with respect to the assets of OPCO. Each Onshore Shareholder agreed to the grant by OPCO of the Assets Option to WFOE.

- Share Pledge Agreement

As collateral security for the prompt and complete performance of any and all obligations of each Onshore Shareholder (legally owns 100% of the shares of OPCO) under the Cooperation Agreements (collectively, the “Secured Obligations”), Onshore Shareholder pledged to WFOE a first security interest in its share of the equity interest of OPCO.

- Voting trust Agreement

Each Onshore Shareholder exclusively entrusted and authorized WFOE to exercise voting, management, and other shareholder rights of OPCO on its behalf. The powers and rights of WFOE granted under the said exclusive entrustment include but not limited to the following: propose, convene and attend shareholders’ meetings of OPCO; exercise all the shareholder’s rights and shareholder’s voting rights that each Onshore Shareholder is entitled to under the laws of the PRC and OPCO’s Articles of Association, including but not limited to the sale or transfer or pledge or disposition of shares in part or in whole, and participate in dividend distributions or any other type of distribution of OPCO.

(e) Risks in relation to the Consolidated Affiliated Entities

In the opinion of the Company’s management, the Contractual Arrangements discussed above have resulted in the Company and WFOE having the power to direct activities that most significantly impact the Consolidated Affiliated Entities, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the Consolidated Affiliated Entities at its discretion. The Company has the power to direct activities of the Consolidated Affiliated Entities and can have assets transferred out of the Consolidated Affiliated Entities under its control. Currently there is no contractual arrangement that could require the Company to provide additional financial support to the Consolidated Affiliated Entities. As the Company is conducting its Internet-related activities mainly through the Consolidated Affiliated Entities, the Company may provide such support on a discretionary basis in the future, which could expose the Company to a loss. As the Consolidated Affiliated Entities organized in the PRC were established as limited liability companies under PRC law, their creditors do not have recourse to the general credit of WFOE for the liabilities of the Consolidated Affiliated Entities, and WFOE does not have the obligation to assume the liabilities of these Consolidated Affiliated Entities.

The Company determined that the Contractual Arrangements are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Group's ability to enforce the Contractual Arrangements.

On March 15, 2019, the Foreign Investment Law was formally passed by the thirteenth National People's Congress and it has taken effect on January 1, 2020. The Foreign Investment Law has replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC.

The Foreign Investment Law stipulates certain forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate contractual arrangements such as those the Company relies on as a form of foreign investment. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors investing through any other methods under laws, administrative regulations or provisions prescribed by the State Council." Future laws, administrative regulations or provisions prescribed by the State Council may possibly regard Contractual Arrangements as a form of foreign investment. If this happens, it is uncertain whether the Contractual Arrangements with the Consolidated Affiliated Entities, its subsidiaries and its shareholders would be recognized as foreign investment, or whether the Contractual Arrangements would be deemed to be in violation of the foreign investment access requirements. As well as the uncertainty on how the Contractual Arrangements will be handled, there is substantial uncertainty regarding the interpretation and the implementation of the Foreign Investment Law. The relevant government authorities have broad discretion in interpreting the law. Therefore, there is no guarantee that the Contractual Arrangements, the business of the Consolidated Affiliated Entities and financial conditions of the Company will not be materially and adversely affected.

The Company's ability to control Consolidated Affiliated Entities also depends on rights provided to WFOEs under the Voting trust Agreement, to vote on all matters requiring shareholder approval. As noted above, the Company believes the Voting trust Agreement is legally enforceable, but they may not be as effective as direct equity ownership. In addition, if the corporate structure of the Group or the contractual arrangements among WFOEs, the Consolidated Affiliated Entities and their respective shareholders were found to be in violation of any existing PRC laws and regulations, the relevant PRC regulatory authorities could:

- revoke Consolidated Affiliated Entities' business and operating licenses;
- require Consolidated Affiliated Entities to discontinue or restrict its operations;
- restrict Consolidated Affiliated Entities' right to collect revenues;
- block Consolidated Affiliated Entities' websites;
- require the Group to restructure the operations, re-apply for the necessary licenses or relocate its business, staff and assets;
- impose additional conditions or requirements with the Group may not be able to comply; or

- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.
- (f) The following are major financial statements amounts and balances of the Group's Consolidated Affiliated Entities and their consolidated subsidiaries as of December 31, 2020, 2021 and 2022 and for the three years ended December 31, 2022.

	As of December 31,		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets arising from inter-company transactions	–	3,911	10,328
Amount due from Group companies	564,189	535,200	2,412,424
Total assets	33,655,382	21,721,834	14,147,082
Amount due to Group companies	25,141,233	19,827,134	14,625,366
Total liabilities	<u>35,391,995</u>	<u>24,101,238</u>	<u>16,951,253</u>

- (f) The following are major financial statements amounts and balances of the Group's Consolidated Affiliated Entities and their consolidated subsidiaries as of December 31, 2020, 2021 and 2022 and for the three years ended December 31, 2022. (Continued)

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Inter-company revenues	(70,159)	5,249	156,029
Total income	1,571,968	1,566,847	966,196
Inter-company expenses	1,012,435	1,422,021	540,809
Total expense	(1,714,084)	(2,213,789)	(1,359,876)
Net loss	(142,116)	(646,942)	(393,680)
Inter-company cash flow	(1,151,110)	1,369,172	(625,594)
Reclassification (i)	–	327,497	1,487,448
Other operating activities	1,835,668	(653,230)	(916,309)
Net cash generated from/(used in) operating activities	684,558	1,043,439	(54,455)
Inter-company cash flow	501,185	(735,327)	564,266
Reclassification (i)	–	(327,497)	(1,487,448)
Payment for advances to consolidated entities	(240,000)	(500,000)	–
Receipts of repayment of the advances from consolidated entities	4,813,732	1,064,669	158
Proceeds from sale of investment assets	16,449,825	20,633,784	9,229,963
Payment for acquisition of investment assets	(28,402,132)	(9,440,542)	(5,675,189)
Other investing activities	(697,316)	(4,826,844)	5,543,944
Net cash generated from/(used in) investing activities	(7,574,706)	5,868,243	8,175,694
Repayment for advances to consolidated entities	(9,031,546)	(17,114,012)	(10,755,583)
Receipts of advances from consolidated entities	16,096,040	9,774,001	4,617,000
Proceeds from borrowings	531,162	572,000	–
Repayment of interest expenses and borrowings	(275,959)	(664,880)	(436,274)
Other financing activities	–	(474)	(1,000)
Net cash generated from/(used in) financing activities	7,319,697	(7,433,365)	(6,575,857)
Effect of exchange rate changes on cash and cash equivalents	(14)	(15)	21
Net increase/(decrease) in cash	429,535	(521,698)	1,545,403
Cash at the beginning of the year	996,523	1,426,058	904,360
Cash at the end of the year	1,426,058	904,360	2,449,763

- (i) This represents the reclassification of certain cash flows that were considered as investing activities in the financial statements of consolidated entities and consolidated affiliated entities' subsidiaries and as operating activities in the consolidated financial statements of the Group.

As of December 31, 2020, 2021 and 2022, the total assets of Group's Consolidated Affiliated Entities were mainly consisting of cash at bank, restricted cash, financial assets at fair value through profit or loss, financial assets at amortized cost, accounts and other receivables, deferred tax assets and other assets. The total liabilities were mainly consisting of payable to platform users, borrowings, accounts and other payables, payables to investors of consolidated structured entities and other liabilities.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Basis of preparation

The historical financial information of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The historical financial information have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of the historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 5 below.

New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for its historical financial information period commencing January 1, 2020:

- Definition of Material—amendments to IAS 1 and IAS 8
- Definition of a Business—amendments to IFRS 3
- Interest Rate Benchmark Reform—amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The Group has applied the following standards and amendments for the first time for its historical financial information period commencing January 1, 2021:

- Interest Rate Benchmark Reform Phase 2—Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16

The Group has applied the following standards and amendments for the first time for its historical financial information period commencing January 1, 2022:

- Onerous Contracts—Cost of Fulfilling a Contract—Amendments to IAS 37
- Reference to the Conceptual Framework—Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before intended use—Amendments to IAS 16
- IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 41 Agriculture—Annual Improvements to IFRS Standards 2018—2020
- Amendment to IFRS 16, 'Leases'—Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021)
- IFRIC Agenda decision—Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)

The adoption of standards and 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.

New and amended standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended December 31, 2022 reporting periods and have not been early adopted by the Group.

		<u>Effective for the annual periods beginning on or after</u>
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendment to IFRS 16	Leases on sale and leaseback	January 1, 2024
Amendment to IAS 1	Non current liabilities with covenants	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined.

The Group does not expect the adoption of these standards and interpretations will have a significant impact on the Group's financial position or performance.

3.2 Principles of consolidation and equity accounting

3.2.1 Subsidiaries

Subsidiaries are all entities (including consolidated structured entities as stated in Note 2 above) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Investments in subsidiaries are accounted for using the equity method of accounting.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3.4).

Intra-group transactions, balances and unreleased gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet, respectively.

3.2.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence could be demonstrated for an investment of less than 20%, for example, by representation on the board of directors or equivalent governing body of the investee.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in statements of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other

comprehensive income or loss. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit of investments accounted for using equity method' in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognized in the Group's financial statements only to the extent of unrelated investors interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the consolidated statement of comprehensive income.

3.3 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directly by means of contractual or related arrangements.

The Group determines whether it is an agent or principal in relation to those structured entities in which the Group acts as an asset manager based on management's judgment. If an asset manager is an agent, it acts primarily on behalf of others and so does not control the structured entity. It may be the principal if it acts primarily for itself, and therefore controls the structured entity.

With respect to the Consolidated Affiliated Entities, the Group acts as a principal and the determination of the consolidation of the Consolidated Affiliated Entities is set out in Note 2. The unconsolidated structured entities to which the Group has exposure is set out in Note 4.3.

3.4 Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquirer's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of comprehensive income.

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocation of resources and assessing performance of the operating segments and make strategic decisions. The Group's chief operating decision makers have been identified as the executive directors of the Company, who review the consolidated results of operations when making decisions about allocating resources and assessing performance of the Group as a whole.

For the purpose of internal reporting and management's operation review, management personnel operate a core retail credit and enablement business, consumer finance loan business and lujintong referral business. Due to materiality, the Group has only one reporting segment. In addition, the Group does not distinguish between markets or segments for the purpose of internal reporting. As the Group's assets and liabilities are substantially all located in the PRC, substantially all revenues are earned and substantially all expenses are incurred in the PRC, and accordingly, no geographical segments are presented.

3.6 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the United States dollar ("USD"). The RMB is the functional currency of the subsidiaries in the PRC. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statement in RMB (unless otherwise stated).

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognized in consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within other gains/ (losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(iii) *Group companies*

The results and financial position of all foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

3.7 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.8 Financial assets

(i) Recognition

The Group recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(ii) Classification and Measurement

The Group classifies its financial assets in the following measurement categories, which depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows:

- those to be measured at amortized cost ("AC");
- those to be measured at fair value through other comprehensive income ("FVOCI"); or
- those to be measured at fair value through profit or loss ("FVPL").

The Group determines the classification of debt investments according to its business model and the contractual cash flow characteristics of the financial assets. The investments are classified as FVPL if the cash flows cannot pass solely payments of principal and interest on the principal amount testing. Otherwise, the classification depends on the business model. For investments in equity instruments, investments are classified as FVPL in general, except those designated as the equity investment at FVOCI. As of December 31, 2020, 2021 and 2022, the Group did not hold any financial assets measured as FVOCI.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Subsequent measurement of debt instruments

depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising from derecognition or impairment is recognized directly in profit or loss. Such assets held by the Group mainly include cash at bank, accounts and other receivables, financial assets at amortized cost, financial assets purchased under reverse repurchase agreements, and loans to customers. Purchased or originated credit-impaired financial assets ("POCI") are those financial assets that are credit-impaired on initial recognition whose interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated as FVPL are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss on the instrument's amortized cost previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. The gains or losses arising from fair value changes on the debt investments measured at FVPL are recognized in profit or loss.

Equity instruments

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends representing a return on such equity instruments continue to be recognized in profit or loss when the Group's right to receive payments is established.

Financing guarantee contracts

After initial recognition, an issuer of such a contract shall subsequently measure it at the higher of:

- the amount of the loss allowance determined in accordance with Note 3.8(iii) and
- the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

(iii) Impairment

Expected credit loss (“ECL”) refers to the weighted average amount of credit loss of financial instruments based on the probability of default. Credit loss refers to the difference between all contractual cash flows receivable and all cash flows that the entity expects to receive, discounted at the original effective interest rate.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost, with the exposure arising from loan commitments and financing guarantee contracts that are not in the scope of “Insurance Contracts”. A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Choosing appropriate models and assumptions for the measurement of ECL including exposure at default (“EAD”), probability of default (“PD”), loss given default (“LGD”), etc.
- Determining criteria for significant increase in credit risk;
- Establishing the number and relative weightings of forward-looking scenarios for the associated ECL.

For the financial instruments subject to ECL measurement, the Group assesses the significant increase in credit risk since initial recognition or whether an asset is considered to be credit impaired, “Three-stage” expected credit loss models are established and staging definition are set for each of these financial assets class. Incorporating forward-looking information, expected credit losses for financial assets are recognized in different stages.

Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the Group. The impairment provision is measured at an amount equal to the 12-month expected credit losses for the financial assets which are not considered to have significantly increased in credit risk since initial recognition.

Stage 2: If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired. The impairment provision is measured based on expected credit losses on a lifetime basis.

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”. The impairment provision is measured based on expected credit losses on a lifetime basis.

For the financial instruments in Stage 1 and Stage 2, the Group calculates the interest income based on its gross carrying amount (i.e. amortized cost) before adjusting for impairment provision using the effective interest method. For the financial instruments in Stage 3, the interest income is calculated based on the carrying amount of the asset, net of the impairment provision, using the effective interest method. Financial assets that are originated or purchased credit impaired are financial assets that are impaired at the time of initial recognition, and the impairment provision for these assets is the expected credit loss for the entire lifetime.

The Group recognizes or reverses the loss allowance through profit or loss. For debt instruments measured at FVOCI, impairment gains or losses are included in the net impairment losses on financial assets and corresponding by reducing the accumulated changes in fair value included in the OCI reserve of equity.

For account receivables, the Group refers to historical experience of credit loss, combined with current situation and forward-looking information, to formulate the lifetime expected credit loss of the financial assets.

(iv) Derecognition

Financial assets are derecognized if one of the following criteria are met:

- the contractual rights to receive the cash flows from the financial assets have expired;
- they have been transferred and the Group transfers substantially all the risks and rewards of ownership;
- they have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

When the equity financial assets measured at FVOCI are derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity directly to retained earnings. When the other financial assets are derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans to customers and receivables arising from default guarantee payments are secured, the write-off is generally after receipt of any proceeds from the realization of collateral. In circumstances where there is no credit enhancement, loans to customers, accounts receivables related to retail credit and enablement business and the related allowance are written off when they are delinquent for 180 days or more.

3.9 Financial liabilities

At initial recognition, the Group classifies a financial liability as fair value through profit or loss or other financial liabilities. The Group measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability. Transaction costs of financial liabilities carried at FVPL are expensed in profit or loss.

When all or part of the current obligations of a financial liability have been discharged, the Group derecognizes the portion of the financial liability or obligation that has been discharged. The difference between the carrying amount of the derecognized liability and the consideration is recognized in profit or loss.

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is more than 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Financial liabilities held for trading are the financial liabilities that:

- are incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- are derivatives (except for a derivative that is a designated and effective hedging instrument or a financing guarantee contract).

Such financial liabilities held for trading are subsequently measured at fair value. All the related realized and unrealized gains/(losses) are recognized in profit/(loss) in the current year.

The Group may, at initial recognition, designate a financial liability as measured at fair value through profit or loss when one of the following criteria is met:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel; or

- a contract contains one or more embedded derivatives, with the host being not an asset within the scope of IFRS 9, and the embedded derivative(s) do(es) significantly modify the cash flows.

Once designated as fair value through profit or loss at initial recognition, the financial liabilities may not be reclassified to other financial liabilities in subsequent periods. Financial liabilities designated at FVPL are subsequently measured at fair value. Any changes in fair value are recognized in profit or loss, except for changes in fair value arising from changes in the Group's own credit risk which are recognized in the OCI. Changes in fair value due to changes in the Group's own credit risk are not subsequently reclassified to profit or loss upon derecognition of the liabilities.

As of December 31, 2020, 2021 and 2022, the Group did not hold any financial liabilities measured at FVPL other than derivative liabilities (refer to Note 36).

3.10 Determination of fair value

The fair value of a financial instrument that is traded in an active market is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business at the end of the reporting period. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques should be appropriate in the circumstances for which sufficient data is available, and the inputs should be consistent with the objective of estimating the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Such techniques include using recent prices in arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar instruments. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

Determining whether to classify financial instruments into level 3 of the fair value hierarchy is generally based on the significance of the unobservable factors involved in valuation methodologies.

3.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is an unconditional and legally enforceable right to offset the recognized

amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3.12 Intangible assets

(i) *Trademarks and licenses*

Trademarks and licenses acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks and licenses with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(ii) *Computer software*

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Research expenditure and development expenditure that do not meet the criteria above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

(iii) *Amortization methods and periods*

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods. When determining the useful life, the Group has taken into the account (i) the estimated period that can bring economic benefits to the Group; and (ii) the period required by the relevant laws and regulations. The Group estimates the useful life of the trademarks and licenses and computer software based on the period of license, usage of the software, expected technical obsolescence and innovations and industry experience of such intangible assets.

	<u>Expected useful life</u>
Trademarks and licenses	6 years
Computer software	3-10 years

3.13 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as of year ended. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is

included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

3.14 Property and equipment

The Group's property and equipment mainly comprise buildings, leasehold improvements, office furniture and equipment, computer and electronic equipment, motor vehicles, and construction in progress.

The assets purchased or constructed are initially measured at acquisition cost.

Subsequent expenditures incurred for the property and equipment are included in the cost of the property and equipment if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Land and buildings comprise primarily office premises. The estimated useful lives, depreciation rate and estimated residual value rate of buildings, leasehold improvements, office furniture and equipment, computer and electronic equipment and motor vehicles are as follows:

<u>Category</u>	<u>Expected useful life</u>	<u>Estimated residual value rate</u>	<u>Annual depreciation rate</u>
Buildings	30 years	5%	3%
Office furniture and equipment	3-5 years	0%-5%	19%-33%
Computer and electronic equipment	2-5 years	0%-5%	19%-50%
Motor vehicles	3-5 years	5%-10%	18%-32%
Leasehold improvements	shorter of expected useful life or the lease term	0%	20%-33%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a property and equipment when it is ready for intended use.

3.15 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to disposal, an appropriate valuation model is used. These calculations are corroborated by quoted share prices or other available fair value indicators.

For non-financial assets other than goodwill (refer to Note 3.13), an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of comprehensive income.

Intangible assets with indefinite useful lives are tested for impairment at least annually at each year end if triggering events are not identified, either individually or at the cash-generating unit level, as appropriate.

3.16 Current and deferred income tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated income statement or in other comprehensive income if it relates to items that are recognized directly in other comprehensive income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- (a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed by the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and

the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

3.18 Share capital, share premium and treasury shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares have a par value of USD0.00001. Initial capital injection over par value per share are accounted for as share premium.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners' of the Company as treasury shares until the shares are canceled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners' of the Company.

The Group accounts for treasury shares using the cost method. Under this method, the cost incurred to purchase the shares is recorded in the treasury shares account in the consolidated balance sheets. At retirement, the ordinary shares account is charged only for the aggregate par value of the shares retired. The excess of the acquisition cost of treasury shares over the aggregate par value is recorded as deduction of share premium.

3.19 Accounts and other payables

Accounts and other payables mainly include payable to investors of consolidated structured entities, payable to platform investors, employment benefits payables, payable to external suppliers, tax and other statutory liabilities, and deposit payables, among other things.

Accounts and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.20 Compound financial instruments

Compound financial instruments contain both a liability and an equity component. The compound financial instruments issued by the Group include convertible promissory notes (refer to Note 34) and optionally convertible promissory notes (refer to Note 35).

The liability component, representing the obligation to make fixed payments of compound financial instruments may be converted to ordinary shares at the option of the holders, and the number of shares to be issued is based on an initial fixed conversion price subject to anti-dilutive adjustments. Principal and interest are classified as liability and initially recognized at the fair value, calculated using the market interest rate of a similar liability that does not have an equity conversion option, and are subsequently measured at amortized cost using the effective interest method. The equity component, representing an embedded option to convert the liability into ordinary shares, is initially recognized in other reserves as the difference between the proceeds received from the compound financial instruments as a whole and the amount of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds.

On conversion of the compound financial instruments into shares, the amount transferred to share capital is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the carrying value of the related component of the converted notes and the amount transferred to share capital is recognized in share premium.

3.21 Employee benefits

(a) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

(b) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes monthly contributions for medical benefits to the local authorities in accordance with the relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

3.22 Share-based payment

The Group operates certain equity-settled, share incentive plans including share options and performance share units (PSUs), under which the Group receives services from employees as consideration for equity instruments.

The total amount to be expensed is determined by reference to the fair value of the shares underlying the grants, which includes the impact of market performance conditions (for example, an entity's share price) but excludes the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period) and includes the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time). The Group also estimates the number of total shares expected to vest taking into consideration service and non-market performance conditions.

Total expense based on fair value of the shares underlying the grants and number of shares expected to vest is recognized over the vesting period.

At the end of each reporting period, the Group revises its estimates of the number of shares underlying grants that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in statements of comprehensive income, with a corresponding adjustment to equity.

3.23 Revenue recognition

Revenue represents the amount of consideration the Group is entitled to upon the transfer of promised goods or services in the ordinary course of the Group's activities and is recorded net of value-added tax ("VAT"). Revenues are recognized when or as control of the asset or service is transferred to the customer. Depending on the terms of the contract, control of the goods and services may be transferred over time or at a point in time. Services is provided over time if the Group's performance:

- provides all of the benefit received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; and
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. If the value related to the services rendered by the Group exceed the payment, a contract asset is recognized. Judgment is required in determining whether a right to consideration is unconditional and thus qualifies as a receivable.

A receivable is recorded when the Group has an unconditional right to consideration on the date the payment is due even if it has not yet performed under the contract.

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer, which is recognized as revenue upon transfer of control to the customers.

The specific accounting policies for the Group's main types of revenue are as below:

3.23.1 Technology platform-based income and guarantee income

The Group engages primarily in operating a platform for facilitating borrowers and institutional funding partners. For the loans originated by banks for which the Group determines that it is not the legal lender in the loan origination and repayment process or trust plans that the Group does not need to consolidate, the Group does not record loans to customers and payables arising from such transactions.

The Group determines that both borrower and institutional funding partners are its customers. In accordance with a series of contracts entered into among the borrowers, institutional funding partners and the Group, the Group provides loan enablement and post origination services to its customers and its obligation to repay in the event of default. Loan enablement services include credit assessment of the borrower, enabling loans from the funding partner to the borrower and providing technical assistance to the borrower and the funding partner. Post-origination services include repayment reminders, payment processing, and collection services. The Group determines loan enablement and post origination as two performance obligations. The Group also takes partial credit risk of off-balance sheet loans to borrowers through the relevant guarantee arrangements and the revenue recognised from this guarantee service has been accounted for as "guarantee income" in the statement of comprehensive income. Account management service provided to credit enhancement providers is considered a separate service outside of the above performance obligations.

The Group generally collects guarantee fees and one combined service fees covering both loan enablement and post origination services from the borrowers on a monthly installment basis. The total consideration including service fees and guarantee fees are first allocated to the guarantee liability at its fair value upon inception of the loan contracts and the residual consideration is then allocated to loan enablement and post origination services based on their estimated standalone selling price. When estimating total consideration, the Group considers early termination scenarios, as the Group does not receive the full contractual service fees amount under early termination, given that the service fees is collected on a monthly basis prior to loan termination.

The Group does not have an observable standalone selling price for the loan enablement services or post origination services because it does not provide loan enablement services or post origination services on a standalone basis in similar circumstances to similar customers. There is no direct observable standalone selling price for similar services in the market that is reasonably available to the Group.

As a result, the estimation of standalone selling price involves significant judgment. The Group uses an expected cost plus margin approach to estimate the standalone selling prices of loan enablement services and post origination services as the basis of revenue allocation. When estimating the selling prices, the Group considers the cost related to such services and profit margin.

The transaction price allocated to loan enablement is recognized as revenue upon execution of loan agreements between funding partners and borrowers; the consideration allocated to post-origination services is recognized over the period of the loan on a systematic basis, which approximates the pattern of when the post origination services are performed.

As the loans facilitated by the Group are generally over 12 months, any incremental costs (i.e. fees paid to direct sales, channel partners and others) of obtaining such contracts are capitalized and amortized on a systematic basis consistent with the pattern of the transfer of the services provided to its customers during the term of underlying loans. The Group assesses the recoverability of the capitalized incremental costs of obtaining a contract in accordance with IFRS 15 at each balance sheet date. Any costs that are not expected to be recoverable are expensed as incurred.

Besides, the Group also receives service fees recognized as “referral income from platform service” in statement of comprehensive income based on the principal of personal lending referred by the Group to the financial institutions which provide funding directly to borrowers and the Group does not take any credit risk in relation to this referral arrangement. Such fee is recognized upon successful facilitation, which is the only performance obligation agreed in the contract.

The Group offers a full suite of wealth management products available from third-party institutional investment product providers to the investors on its technology platform. Such products include asset management plans, bank products, mutual funds, private investment funds, trust plans and others. Other technology platform-based income consist primarily of fee collected from product providers for facilitation of investment products offered on its technology platform and fees collected from financial institutions, which is the only performance obligation agreed in the contract.

3.23.2 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.23.3 Other income

Other income mainly comprises income for account management service fees. The Group provides reminder services to the credit enhancement providers for loans facilitated by the Group that are covered by their credit enhancement services. Account management service fees are recognized over time based on the number of accounts managed and the performance of the underlying loans.

3.24 Leases

The Group leases various properties. Rental contracts are typically made for fixed periods of 1 to 6 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The agreements do not impose any covenants, but leased assets may not be used as collateral for borrowing purposes.

Leases are recognized as a right-of-use asset and corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measured of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,

- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

3.25 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of most likely consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.26 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3.27 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

4 Financial instruments and risks

The Group's activities expose it to a variety of market risks (comprising foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

4.1 Financial risk factors

4.1.1 Market risk

Market risk is the risk of changes in fair value of financial instruments and future cash flows from fluctuation of market prices, which includes two types of risks from volatility of foreign exchange rates (foreign currency risk), and market interest rates (interest rate risk).

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk assumed by the Group mainly comes from movements in the USD/RMB exchange rates.

The Company and major overseas intermediate holding companies' functional currency is USD. They are mainly exposed to foreign exchange risk arising from their cash and cash equivalents and loans to subsidiaries denominated in RMB. The Group has entered into spot-forward USD/RMB currency swaps to manage its exposure to foreign currency risk arising from loans to subsidiaries dominated in RMB.

The subsidiaries of the Group are mainly operating in mainland China with most of the transactions denominated in RMB. The Group considers that business in mainland China is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of these subsidiaries denominated in the currencies other than RMB.

The table below illustrates the impact of an appreciation or depreciation of RMB spot and forward rates against USD by 5% on the Group's profit before income tax expenses.

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
5% appreciation of RMB	131,228	699,049	(124,798)
5% depreciation of RMB	(131,228)	(699,049)	124,798

(b) Interest rate risk

Interest rate risk is the risk that the fair value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest on floating rate instruments is repriced at intervals of one year or less. Interest on fixed interest rate instruments is priced at inception of the financial instruments and is fixed until maturity. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk. The Group's interest rate risk mainly arises from fixed rate instruments including cash at bank, accounts and other receivables and contract assets, loans to customers, accounts and other payables and contract liabilities, etc. The Group's interest rate risk policy requires it to manage interest rate risk by managing the maturities of interest-bearing financial assets and interest-bearing financial liabilities.

The following table sets out the Group's financial assets and financial liabilities exposed to interest rate risk by repricing date, contractual maturity date or expected maturity date (whichever is the earlier):

		As of December 31, 2020							
		Less than 3 months to	3 months to 1 year	1-2 years	2-3 years	More than 3 years	Overdue	No interest	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS									
Cash at bank		23,785,651	56,444	6,190	310,283	-	-	-	24,158,568
Restricted cash		23,029,588	-	-	-	-	-	-	23,029,588
Financial assets at fair value through profit or loss		966,000	5,421,035	9,230,584	1,399,389	848,231	1,260,315	15,298,343	34,423,897
Financial assets at amortized cost		1,204,990	1,683,332	1,816,323	803,062	-	1,056,262	-	6,563,969
Financial assets purchased under reverse repurchase agreements		700,007	-	-	-	-	-	-	700,007
Accounts and other receivables and contract assets		-	-	-	-	-	-	23,325,978	23,325,978
Loans to customers		27,757,023	54,104,955	30,195,692	6,559,344	-	1,208,800	-	119,825,814
Total financial assets		77,443,259	61,265,766	41,248,789	9,072,078	848,231	3,525,377	38,624,321	232,027,821
As of December 31, 2020									
		Less than 3 months to	3 months to 1 year	1-2 years	2-3 years	More than 3 years	Overdue	No interest	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES									
Payable to platform investors		-	-	-	-	-	-	9,114,906	9,114,906
Borrowings		8,778,581	1,536,475	389	-	-	-	-	10,315,445
Accounts and other payables and contract liabilities		-	-	-	-	-	-	5,483,757	5,483,757
Payable to investors of consolidated structured entities		24,875,127	50,551,124	29,978,064	4,963,403	-	-	-	110,367,718
Financing guarantee liabilities		-	-	-	-	-	-	748,674	748,674
Lease liabilities		140,889	400,965	316,653	103,387	17,525	-	-	979,419
Convertible promissory note payable		-	-	-	10,117,188	-	-	-	10,117,188
Optionally convertible promissory notes		-	-	-	7,530,542	-	-	-	7,530,542
Total financial liabilities		33,794,597	52,488,564	30,295,106	22,714,520	17,525	-	15,347,337	154,657,649
Nominal amount of interest rate swap		(8,417,121)	-	-	8,417,121	-	-	-	-
Total interest rate sensitivity gap		52,065,783	8,777,202	10,953,683	(22,059,563)	830,706	3,525,377	23,276,984	77,370,172

The following table sets out the Group's financial assets and financial liabilities exposed to interest rate risk by repricing date, contractual maturity date or expected maturity date (whichever is the earlier):
(Continued)

	As of December 31, 2021							Total
	Less than 3 months	3 months to 1 year	1-2 years	2-3 years	More than 3 years	Overdue	No interest	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
ASSETS								
Cash at bank	29,263,128	70,579	363,691	1,538,551	3,507,239	–	–	34,743,188
Restricted cash	27,792,006	554,499	1,786,219	306,371	14,444	–	–	30,453,539
Financial assets at fair value through profit or loss	12,544,935	3,459,334	919,458	262,969	–	1,164,095	12,672,420	31,023,211
Financial assets at amortized cost	1,168,502	500,740	920,815	107,676	–	1,086,880	–	3,784,613
Financial assets purchased under reverse repurchase agreements	5,527,177	–	–	–	–	–	–	5,527,177
Accounts and other receivables and contract assets	–	–	–	–	–	–	22,344,773	22,344,773
Loans to customers	51,563,466	98,295,888	51,345,667	11,182,096	1,002	2,583,991	–	214,972,110
Total financial assets	127,859,214	102,881,040	55,335,850	13,397,663	3,522,685	4,834,966	35,017,193	342,848,611

	As of December 31, 2021							Total
	Less than 3 months	3 months to 1 year	1-2 years	2-3 years	More than 3 years	Overdue	No interest	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
LIABILITIES								
Payable to platform investors	–	–	–	–	–	–	2,747,891	2,747,891
Borrowings	13,074,069	12,853,348	–	–	–	–	–	25,927,417
Accounts and other payables and contract liabilities	–	–	–	–	–	–	8,814,255	8,814,255
Payable to investors of consolidated structured entities	46,086,474	95,848,045	48,048,309	5,463,312	–	–	–	195,446,140
Financing guarantee liabilities	–	–	–	–	–	–	2,697,109	2,697,109
Lease liabilities	141,719	322,317	238,250	83,166	9,092	–	–	794,544
Convertible promissory note payable	–	–	10,669,498	–	–	–	–	10,669,498
Optionally convertible promissory notes	–	–	7,405,103	–	–	–	–	7,405,103
Total financial liabilities	59,302,262	109,023,710	66,361,160	5,546,478	9,092	–	14,259,255	254,501,957
Nominal amount of interest rate swap	(8,224,653)	–	8,224,653	–	–	–	–	–
Total interest rate sensitivity gap	76,781,605	(6,142,670)	(19,249,963)	7,851,185	3,513,593	4,834,966	20,757,938	88,346,654

The following table sets out the Group's financial assets and financial liabilities exposed to interest rate risk by repricing date, contractual maturity date or expected maturity date (whichever is the earlier):
(Continued)

	As of December 31, 2022							Total
	Less than 3 months	3 months to 1 year	1-2 years	2-3 years	More than 3 years	Overdue	No interest	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
ASSETS								
Cash at bank	33,218,805	42,142	1,602,690	3,490,181	5,528,309	–	–	43,882,127
Restricted cash	24,333,782	1,544,978	482,037	147,478	356	–	–	26,508,631
Financial assets at fair value through profit or loss	7,128,410	1,131,041	313,221	–	–	2,454,227	18,062,548	29,089,447
Financial assets at amortized cost	2,502,673	647,026	112,128	856,808	–	597,813	–	4,716,448
Accounts and other receivables and contract assets	–	–	–	–	–	–	15,758,135	15,758,135
Loans to customers	51,150,197	95,812,445	49,552,823	9,616,373	158,248	5,156,559	–	211,446,645
Total financial assets	118,333,867	99,177,632	52,062,899	14,110,840	5,686,913	8,208,599	33,820,683	331,401,433

	As of December 31, 2022							Total
	Less than 3 months	3 months to 1 year	1-2 years	2-3 years	More than 3 years	Overdue	No interest	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
LIABILITIES								
Payable to platform investors	–	–	–	–	–	–	1,569,367	1,569,367
Borrowings	9,086,732	27,828,781	–	–	–	–	–	36,915,513
Bond payable	–	2,143,348	–	–	–	–	–	2,143,348
Accounts and other payables and contract liabilities	3,745,929	–	–	–	–	–	5,385,010	9,130,939
Payable to investors of consolidated structured entities	42,664,737	86,300,977	44,005,269	4,111,964	64,779	–	–	177,147,726
Financing guarantee liabilities	–	–	–	–	–	–	5,763,369	5,763,369
Lease liabilities	126,034	294,856	253,475	67,629	6,813	–	–	748,807
Convertible promissory note payable	–	–	–	–	5,164,139	–	–	5,164,139
Optionally convertible promissory notes	–	8,142,908	–	–	–	–	–	8,142,908
Total financial liabilities	55,623,432	124,710,870	44,258,744	4,179,593	5,235,731	–	12,717,746	246,726,116
Nominal amount of interest rate swap	(8,984,334)	8,984,334	–	–	–	–	–	–
Total interest rate sensitivity gap	71,694,769	(34,517,572)	7,804,155	9,931,247	451,182	8,208,599	21,102,937	84,675,317

The Group performs interest rate sensitivity analysis on profit for the Group by measuring the impact of a change in interest rate of financial assets, liabilities and interest rate derivative instruments.

The table below illustrates the impact to profit before tax of the coming year as of each reporting date based on the structure of interest-bearing assets, liabilities and interest rate derivative instruments as of December 31, 2020, 2021 and 2022 caused by a parallel shift of 100 basis points in interest rates.

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in interest rate			
-100 basis points	(488,490)	(648,804)	(497,888)
+100 basis points	488,490	648,804	497,888

In the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index:

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- All assets and liabilities are re-priced in the middle of relevant periods;
- Analysis is based on static gap on reporting date, regardless of subsequent changes;
- No consideration of impact on customers' behavior resulting from interest rate changes;
- No consideration of impact on market price resulting from interest rate changes;
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

4.1.2 Credit risk

Credit risks refer to the risk of losses incurred by the inability of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, financial assets at fair value through profit or loss, accounts and other receivables, loans to customers, etc. The Group uses a variety of controls to identify, measure, monitor and report credit risk.

Credit risk management

The Group's financial assets at fair value through profit or loss mainly include trust products, wealth management products, asset management plans and other equity investments. The Group executes due diligence, assesses counterparties' qualification and manages credit risks of existing investments.

The Group has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management

procedures for its retail loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection. Risks arising from financing guarantee contracts and loan commitments are similar to those associated with loans. Transactions of financing guarantee contracts and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans to customers.

To those accounts and other receivables and contract assets, there are policies to control the credit risk exposures. The Group evaluates the possibility of guarantee from third parties, credit record and other factors such as current market condition. The Group monitors customer credit records at regular intervals, and takes action such as official notifications, shortening credit periods or canceling credit periods etc. to ensure the Group's credit risk remains under control when the customers with bad credit records are identified.

Credit exposure

Without taking collateral and other credit enhancements into consideration, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the financial statements. The Group also assumes credit risk due to financing guarantee contracts. The following table sets forth the credit exposure of the Group as of December 31, 2020, 2021 and 2022:

	<u>As of December 31,</u>		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
On-balance sheet			
Cash at bank	24,158,568	34,743,188	43,882,127
Restricted cash	23,029,588	30,453,539	26,508,631
Financial assets at fair value through profit or loss	34,423,897	31,023,211	29,089,447
Financial assets at amortized cost	6,563,969	3,784,613	4,716,448
Financial assets purchased under reverse repurchase agreements	700,007	5,527,177	–
Accounts and other receivables and contract assets	23,325,978	22,344,773	15,758,135
Loans to customers	119,825,814	214,972,110	211,446,645
	<u>232,027,821</u>	<u>342,848,611</u>	<u>331,401,433</u>
Off-balance sheet			
Financing guarantee contracts	<u>20,969,026</u>	<u>64,731,369</u>	<u>68,502,938</u>

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the types of collateral and the valuation parameters. The collateral obtained are typically residential properties.

Management monitors the market value of the collateral, adjusts credit limits when needed and performs an impairment valuation when applicable.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding balance. In general, the Group does not occupy repossessed properties for business use.

Expected credit loss

Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using PD, EAD and LGD. This is similar to the approach used for the purposes of measuring ECL under IFRS 9.

Measurement of ECL

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information.

POCI are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The following diagram summarizes the impairment requirements under IFRS 9 (other than POCI).

Change in credit quality since initial recognition

<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month ECL	Lifetime ECL	Lifetime ECL

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

(a) Significant increase in credit risk (SICR)

For loans to customers, the Group considers a loan to have experienced a significant increase in credit risk if the borrower is overdue 30 days or above on its contractual payments. No qualitative criteria is considered by the Group since the Group monitors the risk of borrowers purely based on the overdue period. For other financial assets measured at amortized cost, the Group sets quantitative and qualitative criteria to judge if there is significant increase in credit risk, and the criteria include: overdue 30 days or above, the forward-looking information and various reasonable supporting information, when determining the ECL staging for financial assets.

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the credit risk team.

(b) Definition of default and credit-impaired assets

For loans to customers, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired if the borrower is more than 90 days (including 90 days) past due on its contractual payments. No qualitative criteria is considered by the Group since the Group monitors the risk of borrowers purely based on the overdue period. For other financial assets measured at amortized cost, the Group sets quantitative and qualitative criteria to define as in default, and the criteria include: overdue for more than 90 days (including 90 days) and various reasonable supporting information.

The criteria above are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss calculations.

(c) Measuring ECL—Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month ("12M") or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to

be credit-impaired. Key impacts used to determine ECL include PD, EAD and LGD, which are defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as mentioned in “Definition of default and credit-impaired assets” above), either over the next 12 months (“12M PD”), or over the remaining lifetime (“Lifetime PD”) of the obligation.
- LGD represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (“12M EAD”) or over the remaining lifetime (“Lifetime EAD”). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

The 12-month and lifetime PDs are determined based on the defaults developed with reference to historical observed data. The duration of historical observed data gathered which is most relevant to reflect the current risk profile of outstanding loan portfolio is determined by management by applying judgement, considering the latest changes in economy, trend in recent default rates under different portfolio and the latest strategy in customer selections.

The 12-month and lifetime EADs are determined based on the expected payment profile. For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. Early repayment assumptions are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

Forward-looking economic information is included in determining the 12-month and lifetime PD. These assumptions vary by product type.

There have been no significant changes in estimation techniques during the years ended December 31, 2020, 2021 and 2022.

(d) Forward-looking information incorporated in the ECL models

The Group has developed macro-economic forward-looking adjustment model by establishing a pool of macro-economic indicators, preparing data, filtering model factors and adjusting forward-looking

elements, and the indicators include gross domestic product (GDP), customer price index (CPI), broad measure of money supply (M1) and other macro-economic variables. Through regression analysis, the relationship among these economic indicators in history with PD is determined, and PD then determined through forecasting economic indicators. The forecasting methods and critical assumptions applied had no material changes during the years ended December 31, 2020, 2021 and 2022.

The impact of these economic indicators on PD varies to different businesses. The Group comprehensively considers internal and external data, future forecasts and statistical analysis to determine the relationship between these economic indicators with PD. The Group evaluates and forecasts these economic indicators at least annually at balance sheet date, and regularly evaluates the results based on changes in macroeconomics.

The Group considered different macroeconomic scenarios. As of December 31, 2020, 2021 and 2022, the key macroeconomic assumptions used to estimate expected credit losses are listed below.

	As of December 31,		
	2020	2021	2022
GDP – year on year percentage change	5.0%-7.5%	5.0%-6.2%	3.8%-5.5%
CPI – year on year percentage change	1.2%-2.8%	2.3%-2.6%	2.0%-2.4%
Broad measure of money supply (M1) – year on year percentage change	3.7%-7.9%	8.1%-9.1%	7.3%-8.6%

Similar to other economic forecasts, the forecasts of economic indicators have high inherent uncertainties and therefore actual results maybe significantly different from the forecasts. The Group considered above forecasts as its best estimate as of December 31, 2020, 2021 and 2022.

Sensitivity analysis

Expected credit losses are sensitive to the parameters used in the model, the macro-economic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgment. Changes in these input parameters, assumptions, models, and judgments will have an impact on the measurement of expected credit losses.

The Group has the highest weight of the base scenario. The loans to customers and financing guarantee contracts assumed that if the weight of the upside scenario increased by 10% and the weight of the base scenario reduced by 10%, the Group's ECL impairment provision as of December 31, 2020, 2021 and 2022 would be reduced by RMB5 million and RMB15 million and RMB62 million, respectively; if the weight of the downside scenario increased by 10% and the weight of the base scenarios reduced by 10%, the Group's ECL impairment provision as of December 31, 2020, 2021 and 2022 would be increased by RMB6 million and RMB32 million and RMB123 million, respectively.

The following table shows the changes of ECL impairment provision on loans to customers and financing guarantee liabilities related to ECL assuming the financial assets in stage 2 reclassified to stage 1 due to significant improvement in credit risk.

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total ECL and financing guarantee liabilities under assumption of reclassification of financial instruments from stage 2 to stage 1	1,541,542	4,897,881	10,479,472
Total ECL and financing guarantee liabilities related to ECL recognized in the consolidated balance sheet	<u>1,737,879</u>	<u>5,450,980</u>	<u>12,826,347</u>
Difference-amount	(196,337)	(553,099)	(2,346,875)
Difference-ratio	<u>-13%</u>	<u>-10%</u>	<u>-18%</u>

Maximum exposure to credit risk before collateral held or other credit enhancements

The following presents the credit risk exposure of the financial instruments under the scope of expected credit loss mentioned in measurement of ECL without considering guarantee or any other credit enhancement measures:

(in RMB'000) Book value	As of December 31, 2020				
	Stage I	Stage II	Stage III	POCI	Maximum Credit Risk Exposure
On-balance sheet					
Financial assets at amortized cost	5,507,707	–	974,887	81,375	6,563,969
Loans to customers	<u>119,087,728</u>	<u>644,478</u>	<u>93,608</u>	<u>–</u>	<u>119,825,814</u>
Total	<u><u>124,595,435</u></u>	<u><u>644,478</u></u>	<u><u>1,068,495</u></u>	<u><u>81,375</u></u>	<u><u>126,389,783</u></u>
Off-balance sheet					
Financing guarantee contracts	<u>20,898,499</u>	<u>70,527</u>	<u>–</u>	<u>–</u>	<u>20,969,026</u>
(in RMB'000) Book value	As of December 31, 2021				
	Stage I	Stage II	Stage III	POCI	Maximum Credit Risk Exposure
On-balance sheet					
Financial assets at amortized cost	2,697,852	–	584,739	502,022	3,784,613
Loans to customers	<u>213,665,161</u>	<u>1,263,965</u>	<u>42,984</u>	<u>–</u>	<u>214,972,110</u>
Total	<u><u>216,363,013</u></u>	<u><u>1,263,965</u></u>	<u><u>627,723</u></u>	<u><u>502,022</u></u>	<u><u>218,756,723</u></u>
Off-balance sheet					
Financing guarantee contracts	<u>64,416,918</u>	<u>314,451</u>	<u>–</u>	<u>–</u>	<u>64,731,369</u>

(in RMB'000) Book value	As of December 31, 2022				Maximum Credit Risk Exposure
	Stage I	Stage II	Stage III	POCI	
On-balance sheet					
Financial assets at amortized cost	4,118,635	–	281,531	316,282	4,716,448
Loans to customers	<u>208,609,176</u>	<u>2,763,586</u>	<u>73,883</u>	<u>–</u>	<u>211,446,645</u>
Total	<u>212,727,811</u>	<u>2,763,586</u>	<u>355,414</u>	<u>316,282</u>	<u>216,163,093</u>
Off-balance sheet					
Financing guarantee contracts	<u>67,011,692</u>	<u>1,491,246</u>	<u>–</u>	<u>–</u>	<u>68,502,938</u>

For other on-balance sheet financial assets, the maximum credit risk exposure is their net carrying amount.

4.1.3 Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group aims to maintain sufficient cash at bank and marketable securities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash at bank.

The following table analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual or expected maturity date. The amounts disclosed in the table are undiscounted contractual or expected cash flows including interest payments computed using contractual rates, or, if floating, based on current rates, and interests with financial liabilities denominated in foreign currencies translated into RMB using the spot rate as of balance sheet date:

	As of December 31, 2020					Total RMB'000
	Repayable on demand or undated	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Financial liabilities -						
Payable to platform investors	9,114,906	–	–	–	–	9,114,906
Borrowings	–	2,227,487	120,537	8,462,547	–	10,810,571
Accounts and other payables and contract liabilities	5,483,757	–	–	–	–	5,483,757
Payable to investors of consolidated structured entities	14,947	79,283,191	31,007,485	5,058,213	–	115,363,836
Financing guarantee liabilities	20,969,026	–	–	–	–	20,969,026
Lease liabilities	–	573,840	330,146	106,282	17,941	1,028,209
Convertible promissory note payable	–	101,854	94,019	12,818,864	–	13,014,737
Optionally convertible promissory notes	–	453,203	453,203	8,006,590	–	8,912,996
	<u>35,582,636</u>	<u>82,639,575</u>	<u>32,005,390</u>	<u>34,452,496</u>	<u>17,941</u>	<u>184,698,038</u>

	As of December 31, 2021					Total RMB'000
	Repayable on demand or undated	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Financial liabilities -						
Payable to platform investors	2,747,891	–	–	–	–	2,747,891
Borrowings	–	16,717,997	9,628,462	–	–	26,346,459
Accounts and other payables and contract liabilities	8,814,255	–	–	–	–	8,814,255
Payable to investors of consolidated structured entities	45,628	148,079,478	49,505,033	5,570,774	–	203,200,913
Financing guarantee liabilities	64,731,369	–	–	–	–	64,731,369
Lease liabilities	–	484,497	248,770	85,180	9,329	827,776
Convertible promissory note payable	–	91,869	12,502,777	–	–	12,594,646
Optionally convertible promissory notes	–	442,840	7,823,510	–	–	8,266,350
	<u>76,339,143</u>	<u>165,816,681</u>	<u>79,708,552</u>	<u>5,655,954</u>	<u>9,329</u>	<u>327,529,659</u>

	As of December 31, 2022					Total RMB'000
	Repayable on demand or undated	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Financial liabilities -						
Payable to platform						
investors	1,569,367	–	–	–	–	1,569,367
Borrowings	–	37,506,884	–	–	–	37,506,884
Bond payable	–	2,209,274	–	–	–	2,209,274
Accounts and other						
payables and						
contract liabilities	5,385,010	3,745,929	–	–	–	9,130,939
Payable to investors of						
consolidated						
structured entities	47,351	133,933,056	45,293,609	4,182,362	65,607	183,521,985
Financing guarantee	68,502,938					
liabilities		–	–	–	–	68,502,938
Lease liabilities	–	462,785	247,494	67,737	6,819	784,835
Convertible promissory						
note payable	–	50,177	50,177	50,177	6,867,555	7,018,086
Optionally convertible						
promissory notes	–	8,546,138	–	–	–	8,546,138
	<u>75,504,666</u>	<u>186,454,243</u>	<u>45,591,280</u>	<u>4,300,276</u>	<u>6,939,981</u>	<u>318,790,446</u>

4.2 Capital management

The Group's capital requirements are primarily dependent on the scale and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are:

- To comply with the capital requirements set by the regulators of the markets where the Group operates.
- To safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and to maximize shareholders' value.
- To maintain a strong capital base to support the development of its business.

The Group adopts administrative measures issued by the regulators of subsidiaries with financial licenses. To meet these requirements, the Group monitor its capital adequacy ratio and the usage of regulatory capital on a quarterly basis and operate and manage assets at all levels in accordance with the provisions of these measures.

The Group monitors capital by regularly reviewing the total equity attributable to owners' of the Company. Adjustments to current capital structure are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to ordinary shareholders or issue capital securities.

4.3 Group's maximum exposure to structured entities

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for customers, to provide finance to public and private sector infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the issue of notes or units to investors. Refer to Note 2 and Note 5.7 for the Group's consolidation consideration related to structured entities.

The following table shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure of the Group in these unconsolidated structure entities is contingent in nature and approximates the sum of accounts receivables from unconsolidated structure entities and direct investments made by the Group.

As of December 31, 2020				
(In RMB'000)	Size	Carrying amount of investment in structured entities	Group's maximum exposure	Interest held by Group
Unconsolidated structured products managed by third parties (a)	NA	10,367,052	10,367,052	Investment income
Unconsolidated structured products managed by affiliated entities (a)	NA	19,352,780	19,409,204	Investment income/ Service fees
Unconsolidated structured products serviced by the Group	57,777,571	–	711,058	Service fees
As of December 31, 2021				
(In RMB'000)	Size	Carrying amount of investment in structured entities	Group's maximum exposure	Interest held by Group
Unconsolidated structured products managed by third parties (a)	NA	8,661,387	8,661,387	Investment income
Unconsolidated structured products managed by affiliated entities (a)	NA	12,219,226	12,219,226	Investment income
Unconsolidated structured products serviced by the Group	18,178,437	–	1,428,320	Service fees

(In RMB'000)	As of December 31, 2022			
	Size	Carrying amount of investment in structured entities	Group's maximum exposure	Interest held by Group
Unconsolidated structured products managed by third parties (a)	NA	17,312,195	17,312,195	Investment income
Unconsolidated structured products managed by affiliated entities (a)	NA	8,321,066	8,321,066	Investment income
Unconsolidated structured products serviced by the Group	2,581,999	–	1,849,897	Service fee

These unconsolidated structured products mainly include asset management plans, trust plans, mutual funds, private fund and bank wealth management products which are all classified as financial assets at amortized cost or financial assets at fair value through profit or loss.

- (a) The information in relation to the size of these unconsolidated structured products is not available from open market.

4.4 Fair value estimation

The Group's main financial instruments carried at fair value are financial assets at fair value through profit or loss.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The primary quoted market price used for financial assets held by the Group is net asset value at daily basis. Financial instruments included in Level 1 comprise primarily equity investments, fund investments and bond investments traded on stock exchanges and open-ended mutual funds.

Level 2: Valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly (such as price) or indirectly (such as calculated based on price). These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates

Level 3: Other valuation techniques which use any inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

Valuation methods for Level 2 and Level 3 financial instruments:

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

For Level 3 financial instruments, fair value is determined using valuation methodologies such as discounted cash flow models and other similar techniques. One of significant inputs used in these valuation techniques is generally unobservable.

The following table sets forth the financial instruments recorded at fair value by level of the fair value hierarchy:

<u>As of December 31, 2020</u>	<u>Level 1</u> <i>RMB'000</i>	<u>Level 2</u> <i>RMB'000</i>	<u>Level 3</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
Unlisted Securities				
Asset management plans	–	9,328,168	424,082	9,752,250
Trust plans	–	9,106,125	820,912	9,927,037
Private fund and other equity investments	–	4,617,756	6,268	4,624,024
Mutual funds	3,199,106	–	–	3,199,106
Corporate bonds	–	3,029,174	15,233	3,044,407
Bank wealth management products	–	2,091,730	–	2,091,730
Structured deposits	–	961,804	–	961,804
Factoring products	–	823,539	–	823,539
Derivative instruments				
Interest rate swap	–	(11,653)	–	(11,653)
Foreign currency swaps	–	(535,944)	–	(535,944)
Total	<u>3,199,106</u>	<u>29,410,699</u>	<u>1,266,495</u>	<u>33,876,300</u>

APPENDIX I**ACCOUNTANT'S REPORT**

<u>As of December 31, 2021</u>	<u>Level 1</u> <i>RMB'000</i>	<u>Level 2</u> <i>RMB'000</i>	<u>Level 3</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
Unlisted Securities				
Asset management plans	–	7,802,270	505,503	8,307,773
Trust plans	–	2,448,373	603,716	3,052,089
Private fund and other equity investments	–	2,765,016	–	2,765,016
Mutual funds	2,486,541	–	–	2,486,541
Corporate bonds	–	3,017,849	47,023	3,064,872
Bank wealth management products	–	4,589,101	–	4,589,101
Structured deposits	–	6,640,977	–	6,640,977
Others debt investments	–	–	108,991	108,991
Listed Securities				
Stock	7,851	–	–	7,851
Derivative instruments				
Interest rate swap	–	38,403	–	38,403
Foreign currency swap	–	(25,772)	–	(25,772)
Total	<u>2,494,392</u>	<u>27,276,217</u>	<u>1,265,233</u>	<u>31,035,842</u>
<u>As of December 31, 2022</u>	<u>Level 1</u> <i>RMB'000</i>	<u>Level 2</u> <i>RMB'000</i>	<u>Level 3</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
Unlisted Securities				
Asset management plans	–	4,667,559	342,154	5,009,713
Trust plans	–	3,268,709	621,840	3,890,549
Private fund and other equity investments	–	1,603,219	440,832	2,044,051
Mutual funds	7,125,498	–	–	7,125,498
Corporate bonds	–	–	46,435	46,435
Bank wealth management products	–	7,563,450	–	7,563,450
Structured deposits	–	2,406,785	–	2,406,785
Others debt investments	–	–	1,002,966	1,002,966
Derivative instruments				
Interest rate swap	–	222,086	–	222,086
Foreign currency swap	–	225,357	–	225,357
Total	<u>7,125,498</u>	<u>19,957,165</u>	<u>2,454,227</u>	<u>29,536,890</u>

There were no changes in valuation techniques during the period.

The following table presents the changes in level 3 instruments for the years ended December 31, 2020, 2021 and 2022:

	Year ended December 31,		
	2020	2021	2022
	Financial assets at fair value through profit or loss		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of beginning of the year	2,842,839	1,266,495	1,265,233
Additions	–	131,829	1,548,065
Disposal	(1,266,827)	(29,664)	(300,136)
Transfer into level 3	–	1,035,642	–
Transfer out of level 3	–	(3,047)	–
Gains or losses recognized in profit or loss	(309,517)	(1,136,022)	(58,935)
As of end of the year	<u>1,266,495</u>	<u>1,265,233</u>	<u>2,454,227</u>

For the year ended December 31, 2021, RMB1,035.6 million investment in certain wealth management products was transferred from Level 2 to Level 3 as significant unobservable inputs were applied in valuation method.

All of the unrealized gains or losses of level 3 instruments for the period are recognized in investment income (refer to Note 9).

Fair value measurements using significant unobservable input:

The level of fair value measurement is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the estimation of fair value.

As of December 31, 2020, 2021 and 2022, the level 3 instruments were mainly unlisted securities at fair value through profit or loss. As the unlisted securities are not traded in an active market, their fair values have been determined using the discounted cash flow method whereby the discount rate adjustment technique is applied. The discount rate used to determine the present value was a rate that reflects current market assessments of the time value of money and the risks specific to the assets as at each reporting date. The determination of discount rate involved critical estimates and judgments by the management. As of December 31, 2020, 2021 and 2022, the discount rates used to determine fair value of level 3 instruments ranged from 6.8% to 9.5%.

The table below illustrates the impact to profit/(loss) before income tax for the years ended December 31, 2020, 2021 and 2022, if the risk-adjusted discount rate had increased/decreased by 100 basis points with all other variables held constant.

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected changes in profit/(loss) before income tax			
+100 basis points	(28,078)	(42,509)	(42,824)
-100 basis points	29,023	45,553	45,826

5 Critical accounting estimates and judgments

The Group makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgments are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgments and accounting estimation, which have the significant effect on the amounts recognized in the financial statements.

5.1 Goodwill impairment assessment

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of cash generating units and groups of cash generating units is the higher of value-in-use ("VIU") and fair value less costs of sale. These calculations require the use of accounting estimates. If management revises the gross margin that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used, the Group may have to recognize further impairment against goodwill. If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group may have to recognize further impairment against goodwill. If the actual gross margin is higher than or pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

5.2 Recognition of loan enablement service fees and post-origination service fees

The Group recognizes loan enablement and post origination service fees by allocating total consideration to be received during the performance of borrowing period to different performance obligations. The Group estimates total consideration to be received by considering early termination scenarios. From time to time, the Group reviews actual early termination data observed and adjusts the early termination assumptions used in revenue recognition to reflect management's best estimate. The Group considers the upfront loan enablement services and post loan enablement services as distinct performance

obligations. However, the Group does not provide these services separately, and the third-party evidence of selling price does not exist either, as public information is not available regarding the amount of fees competitors charge for these services. As a result, the Group uses the expected-cost-plus-a-margin approach to determine its best estimate of selling prices of the different performance obligations as the basis for allocation. When estimating the selling prices, the Group considers the cost related to such services and profit margin.

5.3 Income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Significant judgment is required in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed.

5.4 Classification of financial instruments

The judgments in determining the classification of financial assets include the analysis of business models and the characteristics of contractual cash flows.

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. It is typically observable through the activities that the entity undertakes to achieve the objective of the business model. An entity will need to use judgment when it assesses its business model for managing financial assets and that assessment is not determined by a single factor or activity. Instead, the entity must consider all relevant evidence that is available at the date of the assessment.

The contractual cash flow characteristics of financial assets refer to the cash flow attributes agreed on in the financial asset contract and reflect the economic characteristics of the relevant financial assets, that is, the contractual cash flows generated by the relevant financial assets on a specified date solely represents the payments of principal and interest. The principal amount refers to the fair value of the financial asset at initial recognition, which may change during the duration of the financial asset due to reasons such as early repayment. Interest includes the time value of money, credit risk related to the amount of outstanding principal in a particular period, and consideration of other basic borrowing risks, costs and profits.

5.5 Fair value of financial instruments determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, applying currently applicable and sufficiently available data, and the valuation techniques supported by other

information, which mainly include market approach and income approach, reference to the recent arm's length transactions, current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and option pricing models.

When using valuation techniques to determine the fair value of financial instruments, the Group would choose inputs consistent with market participants, considering transactions of related assets and liabilities. All related observable market parameters are considered in priority, including interest rate, foreign exchange rate, commodity prices, and share prices or index. When related observable parameters are unavailable or inaccessible, the Group uses unobservable parameters and makes estimates for credit risk, market volatility, and liquidity adjustments.

Using different valuation techniques and parameter assumptions may lead to significant differences of fair value estimations.

5.6 Measurement of the expected credit losses

The measurement of the expected credit losses for financial assets measured at amortized cost and financing guarantee contracts is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 4.1.2.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

5.7 Determination of control over the structured entities

To determine whether the Group controls the structured entities of which the Group acts as the asset manager or retail credit and enablement service provider, management applies judgment based on all relevant facts and circumstances to determine whether the Group is acting as the principal or agent for the structured entities. If the Group is acting as the principal, it has control over the structured entities. In assessing whether the Group is acting as the principal, the Group considers factors such as the scope of the decision-making authority, rights held by other parties, remuneration to which it is entitled to, and exposure to variable returns resulting from its additional involvement with structured entities. The Group will perform reassessment once the facts and circumstances change leading to changes in the above factors.

Please refer to Note 4.3 for disclosure of the maximum risk exposure of unconsolidated structured entities of the Group.

6 Technology platform-based income

		Year ended December 31,		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Technology platform-based income				
Retail credit and enablement service fees		39,587,797	36,793,020	28,621,121
Other technology platform-based income		1,634,045	1,501,297	597,311
		<u>41,221,842</u>	<u>38,294,317</u>	<u>29,218,432</u>
		Year ended December 31,		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Retail credit and enablement service fees				
Loan enablement service fees	At a point in time	7,141,725	5,675,612	3,446,163
Post-origination service fees	Over time	32,315,179	30,411,362	24,028,033
Referral income from platform service	At a point in time	130,893	706,046	1,146,925
		<u>39,587,797</u>	<u>36,793,020</u>	<u>28,621,121</u>

(a) The table below sets forth the remaining performance obligations of long-term contracts:

		As of December 31,		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at the end of the year				
Expected to be recognized within one year		22,814,799	20,908,676	11,330,057
Expected to be recognized in one to two years		9,054,717	8,131,102	5,643,999
Expected to be recognized over two years		1,949,687	1,724,952	1,937,183
		<u>33,819,203</u>	<u>30,764,730</u>	<u>18,911,239</u>

7 Net interest income

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans originated by consolidated trust plans			
Interest income	10,640,860	21,229,806	25,869,521
Interest expense	(4,283,151)	(8,400,992)	(10,216,770)
Net interest income from loans originated by consolidated trust plans	<u>6,357,709</u>	<u>12,828,814</u>	<u>15,652,751</u>
Loans originated by consumer finance company and microloan lending companies			
Interest income	1,395,961	1,535,023	4,023,755
Interest expense	(3,210)	(189,606)	(695,130)
Net interest income from loans originated by microloan lending companies and consumer finance company	<u>1,392,751</u>	<u>1,345,417</u>	<u>3,328,625</u>
Total net interest income	<u><u>7,750,460</u></u>	<u><u>14,174,231</u></u>	<u><u>18,981,376</u></u>

8 Other income

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Account management service fees	1,253,760	3,507,999	1,094,030
Penalty fee income	212,328	276,250	80,201
Others	50,954	91,158	63,773
	<u>1,517,042</u>	<u>3,875,407</u>	<u>1,238,004</u>

9 Investment income

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income			
Financial assets at amortized cost	304,627	479,043	341,617
Financial assets purchased under reverse repurchase agreements	29,328	83,763	76,737
	<u>333,955</u>	<u>562,806</u>	<u>418,354</u>
Realized gains			
Financial assets at fair value through profit or loss	1,163,988	991,437	1,099,568
Financial assets at amortized cost	—	80,866	—
	<u>1,163,988</u>	<u>1,072,303</u>	<u>1,099,568</u>
Net change in unrealized gains/(losses)			
Financial assets at fair value through profit or loss (Note 17(b))	(558,044)	(483,356)	(212,297)
	<u>939,899</u>	<u>1,151,753</u>	<u>1,305,625</u>

10 Expense by nature

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses (Note 10.1)	14,145,207	16,402,993	15,080,319
Loan origination and servicing expenses	7,091,078	5,712,598	3,667,962
Promotion and advertising expenses	1,221,762	1,685,847	1,525,797
Outsourcing service expenses	1,333,342	1,355,273	1,391,292
Payment processing expenses	1,204,712	1,197,869	1,134,905
Trust management fee	504,428	1,078,380	1,251,761
Depreciation of right-of-use assets (Note 25)	604,018	608,889	578,014
Taxes and surcharges	380,460	534,647	568,826
Business entertainment expenses	769,834	619,328	389,369
Depreciation of property and equipment (Note 23)	226,862	193,511	177,799
Audit fees	49,618	42,376	39,271
Amortization of intangible assets (Note 24)	31,831	22,234	15,325
Listing expenses	—	—	11,418
Others	1,049,327	740,039	1,057,293
Total sales and marketing expenses, general and administrative expenses, operation and servicing expenses, technology and analytics expenses	<u>28,612,479</u>	<u>30,193,984</u>	<u>26,889,351</u>

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales and marketing expense			
Borrower acquisition expenses	11,506,402	10,119,525	7,865,407
General sales and marketing expenses	5,402,999	6,637,150	6,653,847
Investor acquisition and retention expenses	819,888	676,984	301,092
Referral expenses from platform service	84,268	559,413	936,570
	<u>17,813,557</u>	<u>17,993,072</u>	<u>15,756,916</u>

10.1 Employee benefit expenses

(a) Employee benefit expenses are as follows:

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and bonuses	10,764,239	11,681,753	10,163,216
Other social security costs, housing benefits and other employee benefits	2,787,803	3,157,771	3,293,366
Pension costs – defined contribution plans	427,917	1,430,074	1,577,818
Share-based payment (Note 43)	165,248	133,395	45,919
	<u>14,145,207</u>	<u>16,402,993</u>	<u>15,080,319</u>

(b) Five highest paid individuals

The five individuals whose emoluments excluding share-based payment were the highest in the Group for the years ended December 31, 2020, 2021 and 2022 include four, three and two directors, whose emoluments are reflected in the analysis shown in Note 47. The emoluments payable to the remaining one, two and three individuals during the years ended December 31, 2020, 2021 and 2022 are as follows:

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and bonuses	4,600	12,294	10,044
Other social security costs, housing benefits and other employee benefits	1,515	2,132	2,819
Pension costs – defined contribution plans	–	57	149
	<u>6,115</u>	<u>14,483</u>	<u>13,012</u>

The emoluments fell within the following bands:

	Year ended December 31,		
	2020	2021	2022
Emolument bands (in RMB'000)			
1,000 – 5,000	–	–	2
5,001 – 10,000	1	2	1
	<u>1</u>	<u>2</u>	<u>3</u>

11 Credit impairment losses

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financing guarantee contracts	772,614	2,933,903	7,660,622
Loans to customers	744,893	2,441,111	7,175,389
Accounts and other receivables and contract assets	1,499,344	991,903	1,140,937
Financial assets at amortized cost	18,193	272,909	575,161
Others	144	3,901	(1,644)
	<u>3,035,188</u>	<u>6,643,727</u>	<u>16,550,465</u>

12 Finance costs

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on convertible promissory note	883,759	893,001	1,045,611
Interest expenses on borrowings	211,306	380,447	701,637
Interest expenses on Convertible Notes	135,412	495,079	521,747
One-time expenses related to early redemption and extension of convertible promissory note (Note 34(a))	–	–	173,775
Interest expenses on lease liabilities	46,567	38,709	41,402
Interest expenses on unpaid consideration of convertible promissory note (Note 34(a))	–	–	16,162
Interest expenses on consolidated wealth management products	92,302	9,122	6,473
One-time expenses related to C-round restructuring	1,326,007	–	–
Interest expenses on convertible redeemable preferred shares	534,686	–	–
Bank interest income	<u>(364,385)</u>	<u>(820,843)</u>	<u>(1,267,815)</u>
	<u>2,865,654</u>	<u>995,515</u>	<u>1,238,992</u>

13 Other gains/(losses) – net

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	164,988	251,309	408,164
Input VAT super-deduction	81,850	46,127	92,230
ADS transferring income	3,444	109,843	236,827
Foreign exchange gains/(losses)	192,337	206,753	(877,232)
Others	(58,349)	(114,653)	143,470
	<u>384,270</u>	<u>499,379</u>	<u>3,459</u>

The foreign exchange gains in 2020 and 2021, amounting to RMB192 million and RMB207 million, respectively, was mainly due to the appreciation of RMB against USD. The significant increase in foreign exchange losses for the year ended December 31, 2022, amounting to RMB877 million was mainly due to the depreciation of RMB against USD.

14 Income tax expenses

The following table sets forth the income tax expense of the Group for the years ended December 31, 2020, 2021 and 2022:

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	5,570,012	13,105,863	4,494,818
Deferred income tax	63,253	(6,414,745)	(256,586)
	<u>5,633,265</u>	<u>6,691,118</u>	<u>4,238,232</u>

The following table sets forth the reconciliation from income tax calculated based on the applicable tax rates and profit before income tax expenses presented in the consolidated financial statements to the income tax expenses:

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax expenses	17,909,505	23,400,178	13,013,271
Income tax calculated at the PRC statutory tax rate of 25%	4,477,376	5,850,045	3,253,318
Tax effect of:			
Differential income tax rates applicable to subsidiaries (a)(b)(c)(d)	756,392	263,707	534,154
Deductible temporary differences and tax losses for which no deferred tax asset was recognized (g)	280,251	210,748	233,457
Expenses and losses not deductible for tax purposes (h)	262,843	245,097	265,674
Reversal of deferred tax assets recognized in prior years	3,643	381,456	62,925
Income not subject to tax	(99,378)	(19,640)	(5,971)
Effect of tax rate changes on deferred income taxes	–	(42,929)	(9,565)
Research and development tax credit	(38,680)	(39,038)	(40,121)
Utilisation of previously unrecognized deferred tax assets	(14,711)	(24,649)	(100,351)
Others (i)	5,529	(133,679)	44,712
Income tax expense	<u>5,633,265</u>	<u>6,691,118</u>	<u>4,238,232</u>

(a) Cayman Islands and BVI Income Tax

The Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax. The Group entities established under the BVI Business Companies Acts are exempted from BVI income taxes.

(b) Hong Kong Income Tax

Under the current Hong Kong Inland Revenue Ordinance, the Company's subsidiaries incorporated in Hong Kong are subject to 16.5% income tax on their taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax. Commencing from the year of assessment of 2018, the first HKD2 million of profits earned by the Company's subsidiaries incorporated in Hong Kong will be taxed at half of the current tax rate (i.e. 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate.

(c) Singapore Income Tax

The Singapore income tax rate is 17%. No Singapore profits tax was provided for as there was no estimated assessable profit that was subject to Singapore profits tax for the years ended December 31, 2020, 2021 and 2022.

(d) Indonesia Income Tax

The Indonesia income tax rate is 22%. No Indonesia profits tax was provided for as there was no estimated assessable profit that was subject to Indonesia profits tax for the years ended December 31, 2020, 2021 and 2022.

(e) PRC Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of its operations in the PRC was generally calculated at the tax rate of 25% on the assessable profits for the years ended December 31, 2020, 2021 and 2022, based on the existing legislation, interpretations and practices in respect thereof.

On November 27, 2018, the Group's subsidiary Weikun Technology applied and was qualified as High and New Technology Enterprises (hereinafter "HNTE"), which entitles it to a preferential CIT rate of 15% for consecutive three years. Weikun Technology reapplied HNTE and was approved the HNTE status in December 2021. Accordingly, Weikun was entitled to a preferential CIT rate of 15% for 2020, 2021 and 2022.

According to certain preferential regulations and policies issued by relevant tax authorities, certain subsidiaries and branches of the Group were qualified for a preferential tax rate of 15% for the years ended December 31, 2020, 2021 and 2022.

(f) PRC Withholding Tax

According to the New Corporate Income Tax Law, distribution of profits earned by the PRC companies since January 1, 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 PRC subsidiaries to distribute their existing retained earnings and intends to retain them to operate and expand business in the PRC. Accordingly, no deferred tax liability on withholding tax was accrued at the end of each year presented.

(g) Due to the change in business strategy, deferred tax assets in relation to certain subsidiaries of the Group have not been recognized as it is not probable that future taxable profits of these subsidiaries will be available in order to utilize the tax benefits from the deductible temporary differences.

- (h) Expenses and losses not deductible for tax purposes mainly related to business entertainment expenses and advertising expenses exceeding certain threshold, as well as share-based compensation expenses, which are not tax deductible according to the relevant tax regulations. The decrease of these amounts in 2022 was mainly due to decrease in business activities as a result of covid-19 and soft economic environment.
- (i) For the years ended December 31, 2020, 2021 and 2022, others mainly included PRC withholding income tax and the adjustments for current tax of prior periods during annual tax filing. In 2021, an application of a pre-tax deduction on a prior expense was confirmed by Tax Bureau during the annual tax filing, which caused an adjustment for current tax of prior periods.

15 Earnings per share

- (a) Basic earnings per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group.

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company	12,354,114	16,804,380	8,699,369
Weighted average number of ordinary shares in issue (in '000)	<u>1,104,155</u>	<u>1,181,850</u>	<u>1,145,050</u>
Basic earnings per share (in RMB)	<u>11.19</u>	<u>14.22</u>	<u>7.60</u>
Basic earnings per ADS (in RMB)	<u>5.59</u>	<u>7.11</u>	<u>3.80</u>

- (b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended December 31, 2020, 2021 and 2022 the Group has four categories of potential dilutive ordinary shares: convertible promissory note (refer to Note 34), optionally convertible promissory notes (refer to Note 35), share options and PSUs (refer to Note 43).

For the year ended December 31, 2020, potential ordinary shares issuable upon conversion of optionally convertible promissory notes were not included in the calculation of diluted earnings, as the effect would have been anti-dilutive.

For the year ended December 31, 2021, all four categories of potential dilutive ordinary shares are included in the calculation of diluted earnings per share.

For the year ended December 31, 2022, two categories of potential dilutive ordinary shares are included in the calculation of diluted earnings per share: share options and PSUs. Potential ordinary shares issuable upon conversion of optionally convertible promissory notes and convertible

promissory note were not included in the calculation of diluted earnings per share, as the effect would have been anti-dilutive.

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Earnings			
Profit attributable to owners of the Company	12,354,114	16,804,380	8,699,369
Interest expense on convertible instruments, net of tax	<u>147,293</u>	<u>1,388,080</u>	–
Net profit used to determine diluted earnings per share	<u>12,501,407</u>	<u>18,192,460</u>	<u>8,699,369</u>
Weighted average number of ordinary shares			
Weighted average number of ordinary shares in issue (in '000)	1,104,155	1,181,850	1,145,050
Adjustments for:			
Assumed conversion of convertible instruments (in '000)	21,874	169,737	–
Assumed exercise of share options and vesting of PSUs (in '000)	<u>–</u>	<u>8,165</u>	<u>2,318</u>
Weighted average number of ordinary shares for diluted earnings per share (in '000)	<u>1,126,029</u>	<u>1,359,752</u>	<u>1,147,368</u>
Diluted earnings per share (in RMB)	<u>11.10</u>	<u>13.38</u>	<u>7.58</u>
Diluted earnings per ADS (in RMB)	<u>5.55</u>	<u>6.69</u>	<u>3.79</u>

The Company

	As of December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cash at bank			
Demand deposits			
RMB	4,265	18,705	5,518
USD	3,487,546	1,634,458	1,638,784
	<u>3,491,811</u>	<u>1,653,163</u>	<u>1,644,302</u>
Time deposits			
RMB	2,418,000	160,453	–
USD	–	–	–
	<u>2,418,000</u>	<u>160,453</u>	<u>–</u>
Less: Provision for impairment losses	–	–	–
	<u>5,909,811</u>	<u>1,813,616</u>	<u>1,644,302</u>

17 Financial assets at fair value through profit or loss

The Group

	As of December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Unlisted securities			
Bank wealth management products	2,091,730	4,589,101	7,563,450
Mutual funds	3,199,106	2,486,541	7,125,498
Asset management plans (a)	9,752,250	8,307,773	5,009,713
Trust plans (a)	9,927,037	3,052,089	3,890,549
Structured deposits	961,804	6,640,977	2,406,785
Private fund and other equity investments (a)	4,624,024	2,765,016	2,044,051
Other debt investments	–	108,991	1,002,966
Corporate bonds (a)	3,044,407	3,064,872	46,435
Factoring products	823,539	–	–
Listed securities			
Stock	–	7,851	–
	<u>34,423,897</u>	<u>31,023,211</u>	<u>29,089,447</u>

- (a) As of December 31, 2020, 2021 and 2022, the principal amount of financial assets at fair value through profit or loss amounting to RMB2,310 million, RMB3,325 million and RMB3,742 million were past due. A fair value loss of RMB337 million, RMB1,172 million and RMB100 million was recognized for the years ended December 31, 2020, 2021 and 2022 for these overdue financial assets based on the discounted future cash flow estimated at the balance sheet date.

The Company

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Private fund investment	–	383,888	767,636

18 Financial assets at amortized cost

The Group

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted securities			
Debt Investments	<u>7,641,846</u>	<u>5,002,174</u>	<u>6,471,987</u>
Interest receivable	<u>93,988</u>	<u>121,415</u>	<u>122,799</u>
	7,735,834	5,123,589	6,594,786
Less: Provision for impairment losses	<u>(1,171,865)</u>	<u>(1,338,976)</u>	<u>(1,878,338)</u>
	<u>6,563,969</u>	<u>3,784,613</u>	<u>4,716,448</u>
Expected credit loss rate	<u>15.15%</u>	<u>26.13%</u>	<u>28.48%</u>

- (a) As of December 31, 2020, 2021 and 2022, the principal amount of financial assets at amortized cost amounting to RMB2,077 million, RMB1,795 million and RMB2,000 million were past due. An impairment loss of RMB29 million, RMB300 million and RMB565 million was recognized for the years ended December 31, 2020, 2021 and 2022 based on the discounted future recoverable amount estimated at the balance sheet date.

- (b) The following table sets forth the movement of gross carrying amount of financial assets at amortized cost for the year ended December 31, 2020:

	Year ended December 31, 2020				
	<i>Stage 1</i> <i>RMB'000</i>	<i>Stage 2</i> <i>RMB'000</i>	<i>Stage 3</i> <i>RMB'000</i>	<i>POCI</i> <i>RMB'000</i>	<i>Total</i> <i>RMB'000</i>
As of January 1, 2020	7,223,195	–	2,655,132	132,632	10,010,959
New financial assets originated or purchased	8,590,588	–	–	59,084	8,649,672
Write-offs	–	–	(221,754)	(12,521)	(234,275)
Financial assets de-recognized and other adjustments in the current period (including repayments of financial assets)	(10,300,916)	–	(318,143)	(71,463)	(10,690,522)
As of December 31, 2020	<u>5,512,867</u>	<u>–</u>	<u>2,115,235</u>	<u>107,732</u>	<u>7,735,834</u>

- (c) The following table sets forth the movement of ECL allowance for the year ended December 31, 2020:

	Year ended December 31, 2020				
	<i>Stage 1</i> <i>RMB'000</i>	<i>Stage 2</i> <i>RMB'000</i>	<i>Stage 3</i> <i>RMB'000</i>	<i>POCI</i> <i>RMB'000</i>	<i>Total</i> <i>RMB'000</i>
As of January 1, 2020	13,997	–	1,321,133	52,817	1,387,947
New financial assets originated or purchased	8,593	–	–	–	8,593
Write-offs	–	–	(221,754)	(12,521)	(234,275)
Financial assets de-recognized and other adjustments in the current period (including repayments of financial assets)	(4,160)	–	(15,444)	(117)	(19,721)
Change in parameters of expected credit loss model	(13,270)	–	56,413	(13,822)	29,321
As of December 31, 2020	<u>5,160</u>	<u>–</u>	<u>1,140,348</u>	<u>26,357</u>	<u>1,171,865</u>

- (d) The following table sets forth the movement of gross carrying amount of financial assets at amortized cost for the year ended December 31, 2021:

	Year ended December 31, 2021				
	<i>Stage 1</i> <i>RMB'000</i>	<i>Stage 2</i> <i>RMB'000</i>	<i>Stage 3</i> <i>RMB'000</i>	<i>POCI</i> <i>RMB'000</i>	<i>Total</i> <i>RMB'000</i>
As of January 1, 2021	5,512,867	—	2,115,235	107,732	7,735,834
New financial assets originated or purchased	7,437,143	—	—	604,418	8,041,561
Write-offs	—	—	(17,651)	(8,694)	(26,345)
Disposal in the current period	—	—	(226,843)	—	(226,843)
Financial assets de-recognized and other adjustments in the current period (including repayments of financial assets)	(10,240,254)	—	(5,500)	(154,864)	(10,400,618)
As of December 31, 2021	<u>2,709,756</u>	<u>—</u>	<u>1,865,241</u>	<u>548,592</u>	<u>5,123,589</u>

- (e) The following table sets forth the movement of ECL allowance for the year ended December 31, 2021:

	Year ended December 31, 2021				
	<i>Stage 1</i> <i>RMB'000</i>	<i>Stage 2</i> <i>RMB'000</i>	<i>Stage 3</i> <i>RMB'000</i>	<i>POCI</i> <i>RMB'000</i>	<i>Total</i> <i>RMB'000</i>
As of January 1, 2021	5,160	—	1,140,348	26,357	1,171,865
New financial assets originated or purchased	10,808	—	—	—	10,808
Write-offs	—	—	(17,651)	(8,694)	(26,345)
Disposal in the current period	—	—	(144,320)	—	(144,320)
Financial assets de-recognized and other adjustments in the current period (including repayments of financial assets)	(4,531)	—	(10,366)	48,184	33,287
Change in parameters of expected credit loss model	467	—	312,491	(19,277)	293,681
As of December 31, 2021	<u>11,904</u>	<u>—</u>	<u>1,280,502</u>	<u>46,570</u>	<u>1,338,976</u>

- (f) The following table sets forth the movement of gross carrying amount of financial assets at amortized cost for the year ended December 31, 2022:

	Year ended December 31, 2022				
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	POCI RMB'000	Total RMB'000
As of January 1, 2022	2,709,756	–	1,865,241	548,592	5,123,589
New financial assets originated or purchased	5,635,886	–	–	79,456	5,715,342
Transfer	(363,927)	–	363,927	–	–
– From stage 1 to stage 2	(363,927)	363,927	–	–	–
– From stage 2 to stage 3	–	(363,927)	363,927	–	–
Write-offs	–	–	(38,858)	(11,854)	(50,712)
Financial assets de-recognized and other adjustments in the current period (including repayments of financial assets)	(3,822,562)	–	(102,087)	(268,784)	(4,193,433)
As of December 31, 2022	<u>4,159,153</u>	<u>–</u>	<u>2,088,223</u>	<u>347,410</u>	<u>6,594,786</u>

- (g) The following table sets forth the movement of ECL allowance for the year ended December 31, 2022:

	Year ended December 31, 2022				
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	POCI RMB'000	Total RMB'000
As of January 1, 2022	11,904	–	1,280,502	46,570	1,338,976
New financial assets originated or purchased	19,733	–	–	–	19,733
Transfer	(3,622)	–	236,007	–	232,385
– From stage 1 to stage 2	(3,622)	3,622	–	–	–
– From stage 2 to stage 3	–	(63,386)	63,386	–	–
Net impact on expected credit loss by stage transfer	–	59,764	172,621	–	232,385
Write-offs	–	–	(38,858)	(11,854)	(50,712)
Financial assets de-recognized and other adjustments in the current period (including repayments of financial assets)	(5,395)	–	(74,124)	3,238	(76,281)
Change in parameters of expected credit loss model	17,898	–	403,165	(6,826)	414,237
As of December 31, 2022	<u>40,518</u>	<u>–</u>	<u>1,806,692</u>	<u>31,128</u>	<u>1,878,338</u>

The Company

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted securities			
Loans to subsidiaries	15,728,930	8,781,896	137,662
Interest receivable	214,878	72,434	18,387
	15,943,808	8,854,330	156,049
Less: Provision for impairment losses	(9,869)	(7,707)	(447)
	<u>15,933,939</u>	<u>8,846,623</u>	<u>155,602</u>

19 Financial assets purchased under reverse repurchase agreements

Classified by collateral:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bonds (a)	700,007	5,527,177	–

- (a) The Group enters into purchases of assets under reverse repurchase agreements. The Group may not take physical possession of assets purchased under such agreements. In the event of default by the counterparty to repurchase the assets, the Group has the right to the underlying assets. The difference between the purchasing price and reselling price is recognized as investment income over the term of the agreement using the effective interest method.

20 Accounts and other receivables and contract assets

The Group

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract acquisition cost (g)	9,016,555	7,964,247	6,236,822
Receivables from core retail credit and enablement service	10,344,007	7,380,284	3,736,176
Receivables from external payment services providers (a)	1,750,254	2,665,300	1,826,203
Trust statutory deposits (b)	968,490	1,359,642	1,058,355
Receivables for shares repurchase program (Note 38(a))	–	870,006	859,772
Receivables from referral arrangements	79,146	288,164	586,461
Receivables from other technology platform-based service	802,914	764,571	508,202
Other deposits	490,815	542,817	505,764
Receivables from guarantee arrangements	88,900	410,577	430,908
Receivables from ADS income	3,524	111,933	95,246
Receivables from exercise of share options	–	36,036	197
Others	469,751	582,044	553,530
Less: Provision for impairment losses (c)	(688,378)	(630,848)	(639,501)
	<u>23,325,978</u>	<u>22,344,773</u>	<u>15,758,135</u>

The following table sets forth the aging analysis of receivables generated from activities in relation to core retail credit and enablement service, other technology platform-based service, referral and guarantee arrangements as of December 31, 2020, 2021 and 2022. The aging is presented from the date the corresponding revenue is recognized.

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	10,939,772	8,673,176	5,107,630
1 to 2 years	216,891	78,420	117,620
2 to 3 years	31,943	9,931	30,548
Above 3 years	126,361	82,069	5,949
	<u>11,314,967</u>	<u>8,843,596</u>	<u>5,261,747</u>

- (a) The Group maintains accounts with external online payment service providers to transfer deposits of platform investors, collect principal and interest from borrowers and dispatch loan proceeds to borrowers. The Group recorded the related amounts as receivables from external payment service providers.
- (b) The balances represent cash deposited in China Trust Protection Fund Co., Ltd. as required by trust regulations.

(c) The following table sets forth the movements in the provision for impairment losses:

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	401,626	688,378	630,848
Impairment loss recognized in the consolidated statement of comprehensive income	1,499,344	991,903	1,140,937
Written off during the year	(1,283,858)	(1,083,618)	(1,172,660)
Recovery of receivables written off previously	71,266	34,185	40,376
At the end of the year	<u>688,378</u>	<u>630,848</u>	<u>639,501</u>

(d) The loss allowance as of December 31, 2020 was determined against receivables from core retail credit and enablement service, other technology platform-based service and referral and guarantee arrangements, as follows:

	As of December 31, 2020			
	Current	1-90 days past due	91-180 days past due	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected loss rate	2.92%	84.22%	99.49%	6.08%
Receivables from core retail credit and enablement service	9,953,323	174,102	216,582	10,344,007
Receivables from other technology platform-based service	802,914	–	–	802,914
Receivables from referral arrangements	79,146	–	–	79,146
Receivables from guarantee arrangements	80,557	5,657	2,686	88,900
Loss allowance	<u>(318,820)</u>	<u>(151,398)</u>	<u>(218,160)</u>	<u>(688,378)</u>

- (e) The loss allowance as of December 31, 2021 was determined against receivables from core retail credit and enablement service, other technology platform-based service and referral and guarantee arrangements, as follows:

	As of December 31, 2021			
	Current	1-90 days past due	91-180 days past due	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected loss rate	2.36%	89.87%	94.83%	7.12%
Receivables from core retail credit and enablement service	6,943,369	201,188	235,727	7,380,284
Receivables from other technology platform-based service	764,571	—	—	764,571
Receivables from referral arrangements	288,164	—	—	288,164
Receivables from guarantee arrangements	379,493	18,069	13,015	410,577
Loss allowance	(197,933)	(197,042)	(235,873)	(630,848)

- (f) The loss allowance as of December 31, 2022 was determined against receivables from core retail credit and enablement service, other technology platform-based service and referral and guarantee arrangements, as follows:

	As of December 31, 2022			
	Current	1-90 days past due	91-180 days past due	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected loss rate	3.11%	92.34%	93.11%	12.15%
Receivables from core retail credit and enablement service	3,315,385	176,470	244,321	3,736,176
Receivables from other technology platform-based service	508,202	—	—	508,202
Receivables from referral arrangements	586,461	—	—	586,461
Receivables from guarantee arrangements	321,228	52,191	57,489	430,908
Loss allowance	(147,337)	(211,145)	(281,019)	(639,501)

- (g) As of December 31, 2020, 2021 and 2022, the remaining amount of consideration the Group expected to receive is higher than the carrying amount of contract acquisition cost. As such, no loss allowance was recorded against contract acquisition cost.

The Company

	As of December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Receivables for shares repurchase program	—	870,006	859,772
Receivables from subsidiaries	347,060	3,623,687	672,128
Receivables from ADS income	3,524	111,933	95,246
Receivables from exercise of share options	—	36,036	197
	350,584	4,641,662	1,627,343

21 Loans to customers

	As of December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Loans originated by consolidated trust plans	112,253,099	202,175,185	186,396,992
Loans originated by microloan lending companies and consumer finance company	6,240,803	12,587,586	30,109,705
Interest receivable	2,321,117	2,963,210	2,002,926
Less: Provision for impairment losses			
Stage 1	(480,854)	(1,860,245)	(4,481,912)
Stage 2	(195,339)	(312,280)	(1,197,126)
Stage 3	(313,012)	(581,346)	(1,383,940)
	<u>(989,205)</u>	<u>(2,753,871)</u>	<u>(7,062,978)</u>
	<u>119,825,814</u>	<u>214,972,110</u>	<u>211,446,645</u>
Expected credit loss rate	<u>0.82%</u>	<u>1.26%</u>	<u>3.23%</u>

- (a) As of December 31, 2020, 2021 and 2022, loans amounting to RMB105,325 million, RMB162,417 million and RMB142,966 million, respectively, were covered by credit enhancement provided by credit enhancement providers. Of these amounts, the majority of the balance in each period was covered by credit insurance provided by Ping An Property and Casualty Insurance Company (“Ping An P&C”), a subsidiary of Ping An Group. Credit enhancement providers independently underwrite the borrowers and entered into the credit enhancement agreements either in the form of credit insurance or financing guarantees directly with the borrowers. The beneficiaries of such credit enhancement are the institutional funding partners who provide funding to the borrowers.

- (b) As of December 31, 2020, part of the loan balance was related to loans from asset based securitization plans. These loans were originated by microloan lending companies within the Group that do not meet the criteria of derecognition as the Group continued to provide credit enhancement to the asset based securitization plans. The asset based securitization plans represented liabilities of the Group and were recorded as payable to investors of consolidated structured entities (refer to Note 32) in the consolidated financial statements. The liabilities consisted of principal and accrued interest. As of December 31, 2021 and 2022, no loan balance was related to loans from asset based securitization plans.
- (c) For the years ended December 31, 2020, 2021 and 2022, the amounts of concession provided to customers were not material.
- (d) The following table sets forth the movement of gross carrying amount of loans to customers for the year ended December 31, 2020:

	Year ended December 31, 2020			
	<i>RMB'000</i> <i>Stage 1</i>	<i>RMB'000</i> <i>Stage 2</i>	<i>RMB'000</i> <i>Stage 3</i>	<i>RMB'000</i> <i>Total</i>
As of January 1, 2020	47,052,175	324,440	1,373,211	48,749,826
New loans originated	141,924,691	–	–	141,924,691
Transfers	(2,124,274)	1,713,887	410,387	–
– From stage 1 to stage 2	(1,806,096)	1,806,096	–	–
– From stage 1 to stage 3	(324,045)	–	324,045	–
– From stage 2 to stage 1	5,867	(5,867)	–	–
– From stage 2 to stage 3	–	(98,355)	98,355	–
– From stage 3 to stage 2	–	12,013	(12,013)	–
Loans de-recognized and other adjustments in the current period (including repayments of loans)	(67,284,010)	(1,198,510)	(195,666)	(68,678,186)
Write-offs	–	–	(1,181,312)	(1,181,312)
As of December 31, 2020	<u>119,568,582</u>	<u>839,817</u>	<u>406,620</u>	<u>120,815,019</u>

- (e) The following table sets forth the movement of ECL allowance for the year ended December 31, 2020:

	Year ended December 31, 2020			
	<i>RMB'000</i> <i>Stage 1</i>	<i>RMB'000</i> <i>Stage 2</i>	<i>RMB'000</i> <i>Stage 3</i>	<i>RMB'000</i> <i>Total</i>
As of January 1, 2020	136,396	53,258	1,061,660	1,251,314
New loans originated	373,266	–	–	373,266
Transfers	(107,551)	213,807	378,215	484,471
– From stage 1 to stage 2	(101,324)	101,324	–	–
– From stage 1 to stage 3	(7,322)	–	7,322	–
– From stage 2 to stage 1	4,161	(4,161)	–	–
– From stage 2 to stage 3	–	(49,632)	49,632	–
– From stage 3 to stage 2	–	1,344	(1,344)	–
Net impact on expected credit loss by stage transfers	(3,066)	164,932	322,605	484,471
Loans de-recognized and other adjustments in the current period (including repayments of loans)	(203,494)	(89,632)	(119,197)	(412,323)
Change in parameters of expected credit loss model	282,237	17,906	(664)	299,479
Write-offs	–	–	(1,181,312)	(1,181,312)
Recovery of loans written off previously	–	–	174,310	174,310
As of December 31, 2020	<u>480,854</u>	<u>195,339</u>	<u>313,012</u>	<u>989,205</u>

- (f) The following table sets forth the movement of gross carrying amount of loans to customers for the year ended December 31, 2021:

	Year ended December 31, 2021			
	<i>RMB'000</i> <i>Stage 1</i>	<i>RMB'000</i> <i>Stage 2</i>	<i>RMB'000</i> <i>Stage 3</i>	<i>RMB'000</i> <i>Total</i>
As of January 1, 2021	119,568,582	839,817	406,620	120,815,019
New loans originated	234,198,681	–	–	234,198,681
Transfers	(5,530,212)	4,439,585	1,090,627	–
– From stage 1 to stage 2	(5,579,855)	5,579,855	–	–
– From stage 2 to stage 1	49,643	(49,643)	–	–
– From stage 2 to stage 3	–	(1,091,109)	1,091,109	–
– From stage 3 to stage 2	–	482	(482)	–
Loans de-recognized and other adjustments in the current period (including repayments of loans)	(132,711,645)	(3,703,157)	(25,534)	(136,440,336)
Write-offs	–	–	(847,383)	(847,383)
As of December 31, 2021	<u>215,525,406</u>	<u>1,576,245</u>	<u>624,330</u>	<u>217,725,981</u>

(g) The following table sets forth the movement of ECL allowance for the year ended December 31, 2021:

	Year ended December 31, 2021			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2021	480,854	195,339	313,012	989,205
New loans originated	1,346,940	–	–	1,346,940
Transfers	(1,104,156)	454,235	1,045,357	395,436
– From stage 1 to stage 2	(1,109,405)	1,109,405	–	–
– From stage 2 to stage 1	16,509	(16,509)	–	–
– From stage 2 to stage 3	–	(1,000,215)	1,000,215	–
– From stage 3 to stage 2	–	458	(458)	–
Net impact on expected credit loss by stage transfers	(11,260)	361,096	45,600	395,436
Loans de-recognized and other adjustments in the current period (including repayments of loans)	(622,468)	(470,524)	(124,794)	(1,217,786)
Change in parameters of expected credit loss model	1,759,075	133,230	24,216	1,916,521
Write-offs	–	–	(847,383)	(847,383)
Recovery of loans written off previously	–	–	170,938	170,938
As of December 31, 2021	<u>1,860,245</u>	<u>312,280</u>	<u>581,346</u>	<u>2,753,871</u>

(h) The following table sets forth the movement of gross carrying amount of loans to customers for the year ended December 31, 2022:

	Year ended December 31, 2022			
	RMB'000 Stage 1	RMB'000 Stage 2	RMB'000 Stage 3	RMB'000 Total
As of January 1, 2022	215,525,406	1,576,245	624,330	217,725,981
New loans originated	215,834,125	–	–	215,834,125
Transfers	(17,245,234)	13,239,242	4,005,992	–
– From stage 1 to stage 2	(17,540,156)	17,540,156	–	–
– From stage 2 to stage 1	294,922	(294,922)	–	–
– From stage 2 to stage 3	–	(4,015,845)	4,015,845	–
– From stage 3 to stage 2	–	9,853	(9,853)	–
Loans de-recognized and other adjustments in the current period (including repayments of loans)	(201,023,209)	(10,854,775)	(159,277)	(212,037,261)
Write-offs	–	–	(3,013,222)	(3,013,222)
As of December 31, 2022	<u>213,091,088</u>	<u>3,960,712</u>	<u>1,457,823</u>	<u>218,509,623</u>

- (i) The following table sets forth the movement of ECL allowance for the year ended December 31, 2022:

	Year ended December 31, 2022			
	<i>RMB'000</i> <i>Stage 1</i>	<i>RMB'000</i> <i>Stage 2</i>	<i>RMB'000</i> <i>Stage 3</i>	<i>RMB'000</i> <i>Total</i>
As of January 1, 2022	1,860,245	312,280	581,346	2,753,871
New loans originated	1,609,220	–	–	1,609,220
Transfers	(3,550,516)	1,088,799	3,840,446	1,378,729
– From stage 1 to stage 2	(3,573,960)	3,573,960	–	–
– From stage 2 to stage 1	54,161	(54,161)	–	–
– From stage 2 to stage 3	–	(3,575,710)	3,575,710	–
– From stage 3 to stage 2	–	9,329	(9,329)	–
Net impact on expected credit loss by stage transfers	(30,717)	1,135,381	274,065	1,378,729
Loans de-recognized and other adjustments in the current period (including repayments of loans)	(1,707,206)	(403,559)	(214,194)	(2,324,959)
Change in parameters of expected credit loss model	6,270,169	199,606	42,624	6,512,399
Write-offs	–	–	(3,013,222)	(3,013,222)
Recovery of loans written off previously	–	–	146,940	146,940
As of December 31, 2022	<u>4,481,912</u>	<u>1,197,126</u>	<u>1,383,940</u>	<u>7,062,978</u>

As of December 31, 2022, loans to customers amounting to RMB3,013 million were written off in 2022 and were still subject to enforcement activity. The enforcement activity includes the amounts written off in previous years.

22 Deferred tax assets and deferred tax liabilities

Deferred income assets and liabilities of the Group are set out as follows:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	3,358,664	4,873,370	4,990,352
Deferred tax liabilities	(5,733,733)	(833,694)	(694,090)
Net amount	<u>(2,375,069)</u>	<u>4,039,676</u>	<u>4,296,262</u>

Deferred assets and liabilities not taking into consideration the offsetting of balances are set out as follows:

- (a) The following table sets forth the details of deferred tax assets:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Provision for asset impairments	1,368,693	986,943	1,303,345
Guarantee liabilities	187,169	674,277	1,440,842
Revenue recognition – differences between accounting and tax book	–	1,635,551	1,252,255
Employee benefit payables	626,048	751,926	483,747
Accrued expenses	528,660	489,544	355,999
Deductible tax losses	581,325	194,627	217,501
Changes in fair value	52,470	140,242	170,471
Others	216,560	63,476	25,360
	<u>3,560,925</u>	<u>4,936,586</u>	<u>5,249,520</u>

- (b) Deductible temporary differences and deductible losses that are not recognized as deferred tax assets are analyzed as follows:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deductible temporary differences	2,869,537	2,720,263	3,792,705
Deductible losses	1,423,385	2,432,434	2,135,395
	<u>4,292,922</u>	<u>5,152,697</u>	<u>5,928,100</u>

- (c) Deductible losses that are not recognized as deferred tax assets will expire as follows:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2021	7,182	–	–
2022	29,333	7,433	6,149
2023	20,462	124,678	120,824
2024	27,549	365,455	310,412
2025	85,463	71,574	158,783
2026	–	169,894	33,382
2027	–	–	263,800
No due date	1,253,396	1,693,400	1,242,045
	<u>1,423,385</u>	<u>2,432,434</u>	<u>2,135,395</u>

(d) The following table sets forth the movements of the deferred tax asset:

Movements	Deductible tax losses	Provision for asset impairments	Employee benefit payables	Accrued expenses	Guarantee liabilities	Revenue recognition – differences between accounting and tax book	Others (Include changes in fair value)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2020	1,047,234	939,239	563,567	430,965	60,687	–	148,864	3,190,556
Credited/(charged) – to profit or loss	(465,909)	429,454	62,481	97,695	126,482	–	120,166	370,369
As of December 31, 2020	581,325	1,368,693	626,048	528,660	187,169	–	269,030	3,560,925
Credited/(charged) – to profit or loss	(386,698)	(381,750)	125,878	(39,116)	487,108	1,635,551	(65,312)	1,375,661
As of December 31, 2021	194,627	986,943	751,926	489,544	674,277	1,635,551	203,718	4,936,586
Credited/(charged) – to profit or loss	22,874	316,402	(268,179)	(133,545)	766,565	(383,296)	(7,887)	312,934
As of December 31, 2022	217,501	1,303,345	483,747	355,999	1,440,842	1,252,255	195,831	5,249,520

(e) The following table sets forth for the details of deferred tax liabilities:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unrealized consolidated earnings	434,850	576,472	672,661
Intangible assets arisen from business combination	452,258	211,565	211,565
Changes in fair value	20,469	77,271	57,471
Effective interest adjustment	862,035	18,045	–
Revenue recognition differences between accounting and tax book	4,157,984	–	–
Others	8,398	13,557	11,561
	<u>5,935,994</u>	<u>896,910</u>	<u>953,258</u>

(f) The following table sets forth the movements of the deferred tax liabilities:

Movements	Revenue recognition differences between accounting and tax book	Intangible assets arisen from business combination	Unrealized consolidated earnings	Effective interest adjustment	Changes in fair value	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2020	<u>4,476,834</u>	<u>452,258</u>	<u>295,637</u>	<u>260,671</u>	<u>16,956</u>	<u>16</u>	<u>5,502,372</u>
Charged/(credited) – to profit or loss	(318,850)	–	139,213	601,364	3,513	8,382	433,622
As of December 31, 2020	<u>4,157,984</u>	<u>452,258</u>	<u>434,850</u>	<u>862,035</u>	<u>20,469</u>	<u>8,398</u>	<u>5,935,994</u>
Charged/(credited) – to profit or loss	(4,157,984)	(240,693)	141,622	(843,990)	56,802	5,159	(5,039,084)
As of December 31, 2021	<u>–</u>	<u>211,565</u>	<u>576,472</u>	<u>18,045</u>	<u>77,271</u>	<u>13,557</u>	<u>896,910</u>
Charged/(credited) – to profit or loss	–	–	96,189	(18,045)	(19,800)	(1,996)	56,348
As of December 31, 2022	<u>–</u>	<u>211,565</u>	<u>672,661</u>	<u>–</u>	<u>57,471</u>	<u>11,561</u>	<u>953,258</u>

(g) The following table sets forth the net balances of deferred tax assets and liabilities after offsetting:

	As of December 31,					
	2020		2021		2022	
	Offset amount	Balance after offsetting	Offset amount	Balance after offsetting	Offset amount	Balance after offsetting
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	(202,261)	3,358,664	(63,216)	4,873,370	(259,168)	4,990,352
Deferred tax liabilities	202,261	(5,733,733)	63,216	(833,694)	259,168	(694,090)

23 Property and equipment

	Buildings, office and electrical equipment, motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000
As of January 1, 2020			
Cost	590,724	761,009	1,351,733
Accumulated depreciation	(293,759)	(540,737)	(834,496)
Net book amount	<u>296,965</u>	<u>220,272</u>	<u>517,237</u>
Year ended December 31, 2020			
Opening net book amount	296,965	220,272	517,237
Additions	61,403	86,892	148,295
Disposals	(14,463)	(164)	(14,627)
Depreciation charge	(96,797)	(130,065)	(226,862)
Closing net book amount	<u>247,108</u>	<u>176,935</u>	<u>424,043</u>
As of December 31, 2020			
Cost	601,764	804,164	1,405,928
Accumulated depreciation	(354,656)	(627,229)	(981,885)
Net book amount	<u>247,108</u>	<u>176,935</u>	<u>424,043</u>

	Buildings, office and electrical equipment, motor vehicles	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2021			
Cost	601,764	804,164	1,405,928
Accumulated depreciation	(354,656)	(627,229)	(981,885)
Net book amount	247,108	176,935	424,043
Year ended December 31, 2021			
Opening net book amount	247,108	176,935	424,043
Additions	65,971	90,645	156,616
Disposals	(6,676)	(391)	(7,067)
Depreciation charge	(92,464)	(101,047)	(193,511)
Closing net book amount	213,939	166,142	380,081
As of December 31, 2021			
Cost	626,583	849,946	1,476,529
Accumulated depreciation	(412,644)	(683,804)	(1,096,448)
Net book amount	213,939	166,142	380,081
As of January 1, 2022			
Cost	626,583	849,946	1,476,529
Accumulated depreciation	(412,644)	(683,804)	(1,096,448)
Net book amount	213,939	166,142	380,081
Year ended December 31, 2022			
Opening net book amount	213,939	166,142	380,081
Additions	44,915	81,100	126,015
Disposals	(4,601)	(1,197)	(5,798)
Depreciation charge	(74,057)	(103,742)	(177,799)
Closing net book amount	180,196	142,303	322,499

	Buildings, office and electrical equipment, motor vehicles	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of December 31, 2022			
Cost	602,743	916,081	1,518,824
Accumulated depreciation	(422,547)	(773,778)	(1,196,325)
Net book amount	180,196	142,303	322,499

24 Intangible assets

	Trademarks and licenses	Computer software and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2020			
Cost	1,815,576	633,857	2,449,433
Accumulated amortization	(5,000)	(483,649)	(488,649)
Impairment	–	(64,209)	(64,209)
Net book amount	1,810,576	85,999	1,896,575
Year ended December 31, 2020			
Opening net book amount	1,810,576	85,999	1,896,575
Additions	–	17,718	17,718
Amortization charge	–	(31,831)	(31,831)
Closing net book amount	1,810,576	71,886	1,882,462
As of December 31, 2020			
Cost	1,815,576	255,063	2,070,639
Accumulated amortization	(5,000)	(118,968)	(123,968)
Impairment	–	(64,209)	(64,209)
Net book amount	1,810,576	71,886	1,882,462

	Trademarks and licenses	Computer software and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2021			
Cost	1,815,576	255,063	2,070,639
Accumulated amortization	(5,000)	(118,968)	(123,968)
Impairment	–	(64,209)	(64,209)
Net book amount	1,810,576	71,886	1,882,462
Year ended December 31, 2021			
Opening net book amount	1,810,576	71,886	1,882,462
Additions	–	3,126	3,126
Impairment	(963,948)	–	(963,948)
Amortization charge	–	(22,234)	(22,234)
Closing net book amount	846,628	52,778	899,406
As of December 31, 2021			
Cost	1,815,576	258,189	2,073,765
Accumulated amortization	(5,000)	(141,202)	(146,202)
Impairment	(963,948)	(64,209)	(1,028,157)
Net book amount	846,628	52,778	899,406
	Trademarks and licenses	Computer software and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2022			
Cost	1,815,576	258,189	2,073,765
Accumulated amortization	(5,000)	(141,202)	(146,202)
Impairment	(963,948)	(64,209)	(1,028,157)
Net book amount	846,628	52,778	899,406
Year ended December 31, 2022			
Opening net book amount	846,628	52,778	899,406
Additions	–	2,134	2,134
Disposals	–	(756)	(756)
Impairment	–	(403)	(403)
Amortization charge	–	(15,325)	(15,325)
Closing net book amount	846,628	38,428	885,056

	Trademarks and licenses	Computer software and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of December 31, 2022			
Cost	1,389,576	253,145	1,642,721
Accumulated amortization	(5,000)	(150,105)	(155,105)
Impairment	(537,948)	(64,612)	(602,560)
Net book amount	846,628	38,428	885,056

(a) Impairment tests for intangible assets

The trademarks and licenses were intangible assets acquired in business combinations as part of the reorganization of the Group. Most of the trademarks and licenses acquired were determined to have indefinite useful life as there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows for the Group.

Impairment reviews on the trademarks and licenses with indefinite useful life were conducted by the Group at the end of years according to IAS 36 "Impairment of assets". For the purposes of impairment assessment, the recoverable amount of the trademarks and licenses with indefinite life were determined based on the higher of the fair value less cost of disposal and value-in-use calculations. Given there is no active market for the Group's trademarks and licenses with indefinite life, the fair value less cost of disposal of these trademarks and licenses were determined based on the valuation technique using discounted cash flow method.

The management did the value-in-use calculations to determine the recoverable amounts. Value-in-use is calculated to determine the recoverable amount based on discounted cash flows. With reference to cash flow projection developed based on financial budgets covering a three to seven-year period approved by management of the Group. A period longer than five years is being adopted in the projections as the Group's business is still at an early stage and required time building up its economic of scale. Therefore, from the viewpoint of management of the Group and the market participants, the Group's business is expected to reach a steady and stable terminal growth rate likely after a three to seven-year's period.

The key assumptions used for value-in-use calculations are as follows:

	As of December 31,		
	2020	2021	2022
Pre-tax discount rates	26%	26%	21%-25%
Revenue growth rates	3%-275%	3%-8%	-47%-58%
Long term growth rate	3%	3%	2%

The trademarks and licenses of the Group are primarily relating to trademark rights of Puhui of RMB800.7 million. The recoverable amount of Puhui's trademark exceeded its carrying amount:

	As of December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Recoverable amount of the CGU exceeded its carrying amount	3,895,059	3,795,189	4,761,332

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, on Puhui's trademark right impairment testing at the dates indicated. As shown below, the possible changes of key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount at the dates indicated.

Possible changes of key assumptions	Recoverable amount of the CGU exceeded its carrying amount		
	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue growth rate decrease by 5%	3,772,487	3,711,922	4,524,074
Pre-tax discount rate plus 1%	3,690,604	3,597,045	4,428,832

The high growth rate adopted in 2020 assessment was mainly due to the substantial increase in the business volume of Ping An Financing Guarantee (Tianjin) Co., Ltd. ("Tianjin Guarantee") during the early period after the acquisition. The growth rate adopted in 2021 assessment changed significantly due to the integration of business of Tianjin Guarantee with Puhui Guarantee following the self-investigation and rectification for the regulatory interview on April 29, 2021. The recoverable amount of licenses of Tianjin Guarantee, Shenzhen Qianhai Financial Asset Exchange Co., Ltd. and Chongqing Financial Assets Exchange Co., Ltd. was significantly lower than book value during 2021 impairment assessment. As a result, impairment losses amounting to RMB964 million were recognized in 2021.

Based on management's assessment on the recoverable amounts of the CGU, impairment losses amounting to nil, RMB964 million and nil were recognized for the years ended December 31, 2020, 2021 and 2022, respectively. Other than the aforementioned impairment, the results of cash flow projections exceed the carrying amount of each related cash-generating unit or group of units. However, subsequent impairment tests may be based on different assumptions and future cash flow projections, which may result in impairment losses for these assets in the foreseeable future.

25 Leases

(a) Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets			
Properties	973,547	804,990	754,010
Lease liabilities	<u>979,419</u>	<u>794,544</u>	<u>748,807</u>

(b) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets	604,018	608,889	578,014
Interest expense (included in finance costs)	46,567	38,709	41,402
Expense relating to short-term leases (included in operation and servicing expenses; general and administrative expenses; technology and analytics expenses; and sales and marketing expenses)	115,741	55,408	37,376
Expense relating to leases of low-value assets (included in operation and servicing expenses; general and administrative expenses; technology and analytics expenses; and sales and marketing expenses)	26,684	25,550	25,548

The total cash outflow for leases for years ended December 31, 2020, 2021 and 2022 were RMB794 million, RMB713 million and RMB694 million, respectively.

(c) Movement of right-of-use assets

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening net book amount	914,960	973,547	804,990
Additions	697,403	501,663	589,488
Early termination	(34,798)	(61,331)	(62,454)
Depreciation charge	<u>(604,018)</u>	<u>(608,889)</u>	<u>(578,014)</u>
Closing net book amount	<u>973,547</u>	<u>804,990</u>	<u>754,010</u>

	As of December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cost	1,731,022	1,810,222	1,500,951
Accumulated depreciation	(757,475)	(1,005,232)	(746,941)
Net book amount	<u>973,547</u>	<u>804,990</u>	<u>754,010</u>

26 Goodwill

	As of	Increase	Decrease	As of
	January 1, 2020			December 31, 2020
	RMB'000	RMB'000	RMB'000	RMB'000
Puhui	8,911,445	–	–	8,911,445
Tianjin Guarantee	126,207	–	–	126,207
Pingan Jixin	67,752	–	–	67,752
Lu International (Hong Kong) Limited	6,663	–	–	6,663
Yunque Dongfang	2,800	–	–	2,800
Jinniu Loan	2,515	–	–	2,515
	<u>9,117,382</u>	<u>–</u>	<u>–</u>	<u>9,117,382</u>
Less: Impairment losses	(70,552)	–	–	(70,552)
	<u>9,046,830</u>	<u>–</u>	<u>–</u>	<u>9,046,830</u>
	As of	Increase	Decrease	As of
	January 1, 2021			December 31, 2021
	RMB'000	RMB'000	RMB'000	RMB'000
Puhui	8,911,445	–	–	8,911,445
Tianjin Guarantee	126,207	–	–	126,207
Pingan Jixin	67,752	–	–	67,752
Lu International (Hong Kong) Limited	6,663	–	–	6,663
Yunque Dongfang	2,800	–	–	2,800
Jinniu Loan	2,515	–	–	2,515
	<u>9,117,382</u>	<u>–</u>	<u>–</u>	<u>9,117,382</u>
Less: Impairment losses	(70,552)	(128,722)	–	(199,274)
	<u>9,046,830</u>	<u>(128,722)</u>	<u>–</u>	<u>8,918,108</u>

	As of January 1, 2022	Increase	Decrease	As of December 31, 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Puhui	8,911,445	–	–	8,911,445
Tianjin Guarantee	126,207	–	(126,207)	–
Pingan Jixin	67,752	–	–	67,752
Lu International (Hong Kong) Limited	6,663	–	–	6,663
Yunque Dongfang	2,800	–	(2,800)	–
Jinniu Loan	2,515	–	–	2,515
	<u>9,117,382</u>	<u>–</u>	<u>(129,007)</u>	<u>8,988,375</u>
Less: Impairment losses (a)	(199,274)	(6,663)	129,007	(76,930)
	<u><u>8,918,108</u></u>	<u><u>(6,663)</u></u>	<u><u>–</u></u>	<u><u>8,911,445</u></u>

- (a) As of December 31, 2022, Pingan Jixin, Lu International (Hong Kong) Limited, and Jinniu Loan were fully impaired. Tianjin Guarantee and Yunque Dongfang were written off.
- (b) Impairment testing for goodwill

The Group carries out its impairment testing on goodwill by comparing the recoverable amounts of groups of CGU to their carrying amounts. The recoverable amount of CGU and groups of CGU is the higher of value-in-use and fair value less costs of sale.

Management performed the value-in-use calculations to determine the recoverable amounts. Value-in-use is calculated to determine the recoverable amount based on discounted cash flows with reference to cash flow projection developed based on financial budgets covering a three to seven-year period approved by management of the Group. A period longer than five years is being adopted in the projections as the Group's business is still at an early stage and required time building up its economic of scale. Therefore, from the viewpoint of management of the Group and the market participants, the Group's business is expected to reach a steady and stable terminal growth rate likely after an three to seven-year's period.

The key assumptions used for value-in-use calculations are as follows:

	As of December 31,		
	2020	2021	2022
Pre-tax discount rates	24%-27%	27%	19%
Revenue growth rates	3%-275%	3%-8%	-22%-30%
Long term growth rate	3%	3%	2%

The recoverable amount of Puhui exceeded its carrying amount:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Recoverable amount of the CGU exceeded its carrying amount	58,347,954	46,780,343	31,032,688

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, on Puhui impairment testing at the dates indicated. As shown below, the possible changes of key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount at the dates indicated.

Possible changes of key assumptions	Recoverable amount of the CGU exceeded its carrying amount		
	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue growth rate decrease by 5%	51,446,124	45,153,184	12,785,375
Pre-tax discount rate plus 1%	54,371,643	43,239,361	25,826,383

The high growth rate deployed in 2020 assessment was mainly due to the substantial increase in the business volume of Tianjin Guarantee during the early period after the acquisition. The growth rate deployed in 2021 assessment changed significantly due to the integration of business of Tianjin Guarantee with Puhui Guarantee following the self-investigation and rectification for the regulatory interview on April 29, 2021. As a result, impairment loss amounting to RMB 126 million was recognized in 2021.

Based on management's assessment on the recoverable amounts of the CGU, impairment losses amounting to nil, RMB129 million and RMB6.7 million were recognized for the years ended December 31, 2020, 2021 and 2022, respectively. Other than the aforementioned impairment, the results of cash flow projections exceed the carrying amount of each related cash-generating unit or group of units. However, subsequent impairment tests may be based on different assumptions and future cash flow projections, which may result in impairment losses of these assets in the foreseeable future.

27 Other assets

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepaid income tax and value-added tax	59,707	553,938	697,820
Recoverable value-added tax	474,690	500,436	646,257
Derivative financial assets (a)	–	38,403	447,443
Prepayments	89,547	114,380	101,879
Repossessed assets	58,629	37,085	30,077
Deferred expenses	27,524	24,133	29,277
Others	17,144	12,210	30,536
	<u>727,241</u>	<u>1,280,585</u>	<u>1,983,289</u>
Less: Provisions for impairment	<u>(40,292)</u>	<u>(31,161)</u>	<u>(24,548)</u>
	<u><u>686,949</u></u>	<u><u>1,249,424</u></u>	<u><u>1,958,741</u></u>

(a) Interest rate swap

	As of December 31,	
	2021	2022
	<i>('000)</i>	<i>('000)</i>
Carrying amount	RMB38,403	RMB222,086
Notional amount	USD1,290,000	USD1,290,000
Maturity date	May 18, 2023	May 18, 2023
Pay type	Fixed	Fixed
Receive type	1 month	1 month

(b) Foreign currency swap

	As of December 31, 2022
	<i>('000)</i>
Carrying amount	RMB225,357
Notional amount	USD1,050,000
Maturity date	06/04/2023-15/05/2023
Pay side	RMB
Receive side	USD

28 Payable to platform investors

As of December 31, 2020 and 2021, payable to platform investors are the funds received from platform investors while investment decisions are yet to be made, or investors' funds whose withdrawal is in processing due to settlement time. As of December 31, 2022, payable to platform investors are the investors' funds whose withdrawal is in processing due to settlement time.

29 Borrowings

The Group

	As of December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Secured			
– Bank borrowings (a)	–	2,991,890	1,343,970
Unsecured			
– Bank borrowings (b)	10,279,835	22,816,450	35,251,477
– Corporate borrowings	1,162	388	–
	10,280,997	25,808,728	36,595,447
Interest payable	34,448	118,689	320,066
Total borrowings	10,315,445	25,927,417	36,915,513

- (a) As of December 31, 2022, the Group had RMB 1,344 million secured bank borrowings guaranteed by deposits (refer to Note 16(b)), The terms of all these borrowings are twenty-four months, whose interest rates range from 3.84% to 4.05% per annum.
- (b) The Group had obtained a USD1,500 million syndicated loan commitment on February 13, 2020, and drew down USD1,290 million of unsecured borrowings in 2020. The interest rate is determined based on monthly LIBOR rate plus 1.25% and the interest is paid on monthly basis. All borrowings will mature on May 18, 2023.
- (c) The following table sets forth the range of interest rates of borrowings as of December 31, 2020, 2021 and 2022:

	As of December 31,		
	2020	2021	2022
Bank borrowings – fixed rate	4.35%-5.00%	2.80%-4.80%	2.70%-4.30%
Bank borrowings – floating rate	1.41%-2.68%	1.35%-1.92%	1.72%-5.59%
Corporate borrowings – fixed rate	0.50%-0.78%	0.78%	N/A

The Company

	As of December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Unsecured			
– Bank borrowings	353,310	318,785	138,860
Interest payable	1,893	1,141	194
Total borrowings	355,203	319,926	139,054

30 Bond payable

	As of December 31, 2022
	<i>RMB'000</i>
New issued bonds	2,010,782
Interest accrued at effective interest rate	57,267
Interest paid	–
Exchange differences	75,299
Carrying value as of December 31, 2022	<u>2,143,348</u>

On June 7, 2022 and June 14, 2022, the Group issued two bonds of USD 300 million (equivalent to approximately RMB2,013 million) in aggregate, whose interest rates are determined based on compounded SOFR rate plus 2.5% and 2.55%, and the interest is paid at maturity. Both of these bonds mature one year from their respective issuance dates.

31 Accounts and other payables and contract liabilities

The Group

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unpaid redemption consideration for convertible promissory notes (Note 34(a))	–	–	3,745,929
Contract liabilities from retail credit and enablement service	–	1,107,263	3,067,715
Employee benefit payable	3,203,478	4,041,847	2,715,543
Tax payable	553,507	831,329	846,402
Payable to cooperation banks (a)	97,567	702,844	471,339
Payable to investees	431,148	431,148	430,616
Payable to external suppliers (c)	433,410	401,209	193,283
Trust management fee payable (c)	94,463	415,817	57,976
Cash compensation of Class C ordinary shares restructuring	98,658	46,749	21,205
Other deposits payable	34,092	108,291	221,671
Payable for purchase of trust plan	–	137,724	–
Others (b)	537,434	590,034	426,975
	<u>5,483,757</u>	<u>8,814,255</u>	<u>12,198,654</u>

- (a) Payable to cooperation banks is related to the restricted cash that is generated from a risk sharing business with banks. Under such business, the Group provides loan enablement services for loans originated by banks and is paid a variable fee determined based on the performance of underlying loans facilitated by the

Group. On a monthly basis, the Group receives fixed service fees from the cooperation banks based on a fixed percentage of loans originated in restricted cash accounts. The service fees will be adjusted based on actual performance of the loans originated under this business upon maturity.

- (b) Others comprise miscellaneous items including advances from customers and others with immaterial individual amounts.
- (c) As of December 31, 2020, 2021 and 2022, the aging of the payable to external suppliers and trust management fee payable are all within 1 year.

The Company

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unpaid redemption consideration for convertible promissory notes (Note 34(a))	–	–	3,745,929
Cash compensation of Class C ordinary shares restructuring	98,658	46,749	21,205
Payable to external suppliers	33,869	–	94
Employee benefit payable	7,871	–	–
Others	27,935	28,179	36,415
	<u>168,333</u>	<u>74,928</u>	<u>3,803,643</u>

32 Payable to investors of consolidated structured entities

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payable to investors of consolidated trust plans	110,309,109	195,262,648	177,102,034
Payable to investors of consolidated wealth management plans	14,947	183,492	45,692
Payable to investors of asset based securitization plans (Note 21(b))	43,662	–	–
	<u>110,367,718</u>	<u>195,446,140</u>	<u>177,147,726</u>

33 Financing guarantee liabilities

- (a) The following table sets forth the movement of gross carrying amount of financing guarantee contracts for the year ended December 31, 2020:

	Year ended December 31, 2020			
	<i>RMB'000</i> <i>Stage 1</i>	<i>RMB'000</i> <i>Stage 2</i>	<i>RMB'000</i> <i>Stage 3</i>	<i>RMB'000</i> <i>Total</i>
As of January 1, 2020	4,600,281	39,050	–	4,639,331
New guarantee contracts originated	23,031,641	–	–	23,031,641
Transfers	(373,494)	373,494	–	–
– From stage 1 to stage 2	(392,721)	392,721	–	–
– From stage 2 to stage 1	19,227	(19,227)	–	–
Guarantee liabilities de-recognized and other adjusted in the current period (including repayments of loans and guarantee payments)	<u>(6,359,929)</u>	<u>(342,017)</u>	<u>–</u>	<u>(6,701,946)</u>
As of December 31, 2020	<u>20,898,499</u>	<u>70,527</u>	<u>–</u>	<u>20,969,026</u>

- (b) The following table sets forth the movement of ECL allowance of financing guarantee contracts for the year ended December 31, 2020:

	Year ended December 31, 2020			
	<i>RMB'000</i> <i>Stage 1</i>	<i>RMB'000</i> <i>Stage 2</i>	<i>RMB'000</i> <i>Stage 3</i>	<i>RMB'000</i> <i>Total</i>
As of January 1, 2020	211,913	30,836	–	242,749
New guarantee contracts originated	344,770	–	–	344,770
Transfers	(228,744)	294,153	–	65,409
– From stage 1 to stage 2	(233,701)	233,701	–	–
– From stage 2 to stage 1	14,823	(14,823)	–	–
Net impact on expected credit loss by stage transfers	(9,866)	75,275	–	65,409
Guarantee liabilities de-recognized and other adjusted in the current period (including repayments of loans and guarantee payments)	<u>(217,235)</u>	<u>(272,243)</u>	<u>–</u>	<u>(489,478)</u>
Change in parameters of expected credit loss model	<u>577,376</u>	<u>7,848</u>	<u>–</u>	<u>585,224</u>
As of December 31, 2020	<u>688,080</u>	<u>60,594</u>	<u>–</u>	<u>748,674</u>

- (c) The following table sets forth the movement of gross carrying amount of financing guarantee contracts for the year ended December 31, 2021:

	Year ended December 31, 2021			
	<i>RMB'000</i> <i>Stage 1</i>	<i>RMB'000</i> <i>Stage 2</i>	<i>RMB'000</i> <i>Stage 3</i>	<i>RMB'000</i> <i>Total</i>
As of January 1, 2021	20,898,499	70,527	–	20,969,026
New guarantee contracts originated	71,968,587	–	–	71,968,587
Transfers	(1,261,287)	1,261,287	–	–
– From stage 1 to stage 2	(1,296,115)	1,296,115	–	–
– From stage 2 to stage 1	34,828	(34,828)	–	–
Guarantee liabilities de-recognized and other adjusted in the current period (including repayments of loans and guarantee payments)	(27,188,881)	(1,017,363)	–	(28,206,244)
As of December 31, 2021	<u>64,416,918</u>	<u>314,451</u>	<u>–</u>	<u>64,731,369</u>

- (d) The following table sets forth the movement of ECL allowance of financing guarantee contracts for the year ended December 31, 2021:

	Year ended December 31, 2021			
	<i>RMB'000</i> <i>Stage 1</i>	<i>RMB'000</i> <i>Stage 2</i>	<i>RMB'000</i> <i>Stage 3</i>	<i>RMB'000</i> <i>Total</i>
As of January 1, 2021	688,080	60,594	–	748,674
New guarantee contracts originated	1,126,819	–	–	1,126,819
Transfers	(978,068)	1,175,369	–	197,301
– From stage 1 to stage 2	(993,204)	993,204	–	–
– From stage 2 to stage 1	32,580	(32,580)	–	–
Net impact on expected credit loss by stage transfers	(17,444)	214,745	–	197,301
Guarantee liabilities de-recognized and other adjusted in the current period (including repayments of loans and guarantee payments)	(911,219)	(954,257)	–	(1,865,476)
Change in parameters of expected credit loss model	<u>2,476,773</u>	<u>13,018</u>	<u>–</u>	<u>2,489,791</u>
As of December 31, 2021	<u>2,402,385</u>	<u>294,724</u>	<u>–</u>	<u>2,697,109</u>

- (e) The following table sets forth the movement of gross carrying amount of financing guarantee contracts for the year ended December 31, 2022:

	Year ended December 31, 2022			
	<i>RMB'000</i> <i>Stage 1</i>	<i>RMB'000</i> <i>Stage 2</i>	<i>RMB'000</i> <i>Stage 3</i>	<i>RMB'000</i> <i>Total</i>
As of January 1, 2022	64,416,918	314,451	–	64,731,369
New guarantee contracts originated	59,085,462	–	–	59,085,462
Transfers	(5,760,786)	5,760,786	–	–
– From stage 1 to stage 2	(5,887,854)	5,887,854	–	–
– From stage 2 to stage 1	127,068	(127,068)	–	–
Guarantee liabilities de-recognized and other adjusted in the current period (including repayments of loans and guarantee payments)	(50,729,902)	(4,583,991)	–	(55,313,893)
As of December 31, 2022	<u>67,011,692</u>	<u>1,491,246</u>	<u>–</u>	<u>68,502,938</u>

- (f) The following table sets forth the movement of ECL allowance of financing guarantee contracts for the year ended December 31, 2022:

	Year ended December 31, 2022			
	<i>RMB'000</i> <i>Stage 1</i>	<i>RMB'000</i> <i>Stage 2</i>	<i>RMB'000</i> <i>Stage 3</i>	<i>RMB'000</i> <i>Total</i>
As of January 1, 2022	2,402,385	294,724	–	2,697,109
New guarantee contracts originated	980,980	–	–	980,980
Transfers	(4,462,900)	5,388,205	–	925,305
– From stage 1 to stage 2	(4,514,480)	4,514,480	–	–
– From stage 2 to stage 1	114,996	(114,996)	–	–
Net impact on expected credit loss by stage transfers	(63,416)	988,721	–	925,305
Guarantee liabilities de-recognized and other adjusted in the current period (including repayments of loans and guarantee payments)	(2,201,596)	(4,336,572)	–	(6,538,168)
Change in parameters of expected credit loss model	7,656,851	41,292	–	7,698,143
As of December 31, 2022	<u>4,375,720</u>	<u>1,387,649</u>	<u>–</u>	<u>5,763,369</u>

34 Convertible promissory note payable

In October 2015, in connection with the acquisition of Gem Alliance Limited, the Company issued a convertible promissory note (the “Notes”) to China Ping An Insurance Overseas (Holdings) Limited (“PAOH”), a subsidiary of Ping An Group, in an aggregate principal amount of USD1,953.8 million. On the same date, PAOH agreed to transfer USD937.8 million of the principal amount of the Note and all rights, benefits and interests attached thereunder to An Ke Technology Company Limited (“An Ke”), a subsidiary of Ping An Group. The Note bears interest paid semi-annually at the rate of 0.7375% per annum. Subject to its terms and conditions, the holders of the Note have the right to convert the Notes into ordinary shares of the Company within the conversion period commencing on the listing day of the Company until the date which is five business days before (and excluding) the eighth anniversary of the issuance date of the Note at the conversion price of USD14.8869 per share, subject to certain anti-dilution adjustments if applicable.

On August 31, 2020, the Company entered into an amendment and supplemental agreement with PAOH and An Ke. In accordance with this agreement, the holders of the Note could only exercise their conversion right one year after the Company’s listing date. This amendment did not have any material impact on the Group’s financial position and results of operations.

On August 20, 2021, the Company, PAOH and An Ke entered into an amendment and supplemental agreement to the share purchase agreement and the Note (the “Third Amendment and Supplemental Agreement”). The Third Amendment and Supplemental Agreement amends the terms of the Note by extending the commencement of the conversion period of the Notes from the date which is one year after the date of the Company’s initial public offering to April 30, 2023. Each of PAOH and An Ke has the right in the manner provided in the Notes, as applicable, to convert the whole or any part of the outstanding principal amount of the Notes, as applicable, into ordinary shares of the Company.

On December 6, 2022, the Company, PAOH and An Ke entered into an amendment and supplemental agreement (the “Fourth Amendment and Supplemental Agreement”) to amend the terms of the Notes, pursuant to which the Company agreed to redeem 50% of the outstanding principal amount of the Notes from PAOH and An Ke, and the parties agreed to extend the maturity date and the commencement date of the conversion period of the remaining 50% Notes. As a result, the remaining 50% outstanding principal amount of the Notes bear interest, unless otherwise agreed, at the rate of 0.7375% per annum of the principal amount of the Notes outstanding from time to time, which will be payable semi-annually until October 8, 2026. The Notes can be converted into the shares at any time from April 30, 2026 until the date which is five business days before (and excluding) October 8, 2026, at an initial conversion price of USD14.8869 per ordinary share subject to certain adjustments as set forth in the Notes (Note 45). Unless converted or purchased and canceled prior to the maturity date, the Company will redeem the Notes of their principal amounts together with accrued interests on the maturity date.

The Group measured the liability component at initial recognition based on its best estimate of the present value of the redemption amount and recognized the residual to the equity component to reflect

the value of conversion rights. Subsequent to initial recognition, the liability component of convertible promissory note payable measured at amortized cost using the effective interest rate method with interest expenses recorded in the finance costs. The equity component will not be re-measured subsequently.

	<u>Liabilities</u>	<u>Equity</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying value as of January 1, 2020	<u>10,014,377</u>	<u>5,744,955</u>
Interest accrued at effective interest rate	883,759	–
Interest paid	(92,981)	–
Exchange differences	(687,967)	–
Carrying value as of December 31, 2020	<u>10,117,188</u>	<u>5,744,955</u>
Interest accrued at effective interest rate	893,001	–
Interest paid	(100,937)	–
Exchange differences	(239,754)	–
Carrying value as of December 31, 2021	<u>10,669,498</u>	<u>5,744,955</u>
Interest accrued at effective interest rate	1,045,611	–
Interest paid	(115,879)	–
Redemption and extension of convertible promissory notes (a)	(7,444,513)	(5,584,770)
Exchange differences	1,009,422	–
Carrying value as of December 31, 2022	<u>5,164,139</u>	<u>160,185</u>

- (a) Following the Fourth Amendment and Supplemental Agreement on December 6, 2022, the carrying values of liability and equity components in relation to original Notes were reversed due to extinguishment of original Notes and fair value of new Notes was recognized, giving rise to an increase of RMB174 million in financial costs and RMB6,210 million in share premium and a decrease of RMB5,585 million in other reserves.

In consideration of the above redemption and the extension of the maturity date and taking into account the fair market value of the Notes determined by the independent valuers, pursuant to the Fourth Amendment and Supplemental Agreement, the Company agreed to pay PAOH and An Ke a total amount of approximately USD1,071 million (the “Consideration”) together with the unpaid interest accrued on the redeemed notes up to and including the effective date of the Fourth Amendment and Supplemental Agreement. The first tranche payment of the Consideration in the total amount of approximately USD536 million had been paid in December 2022. It is expected that the remaining Consideration would be paid in March 2023 or such other date(s) within one year after the effective date of the Fourth Amendment and Supplemental Agreement as mutually agreed by the Company, PAOH and An Ke. Additional interests shall accrue on the remaining Consideration at a rate of 6.5% per annum, accruing daily from and including the date after the modification date (ie

December 6, 2022) up to but excluding the date on which the unpaid consideration is paid. As of December 31, 2022, the total amount of unpaid consideration is RMB3,746 million.

35 Optionally convertible promissory notes

On September 30, 2020, the Company issued optionally convertible promissory notes with a principal amount of USD1,158 million (equivalent of approximately RMB7,884 million) to certain holders of the Company's Class C ordinary shares as part of the C-round restructuring. The optionally convertible promissory notes will mature on September 30, 2023 and bear interest on the outstanding principal amount at the rate of six percent per annum. The holder of the optionally convertible promissory notes shall have the right (but not the obligation) to require the Company to convert all or any portion of the outstanding principal amount of the optionally convertible promissory notes into the Company's ordinary shares during the period between the completion of the IPO and September 29, 2023. The number of ordinary shares to be issued is determined by dividing the outstanding principal amounts of the optionally convertible promissory notes so converted by the conversion price of approximately USD30.07 ("Conversion Price") per share, subject to certain anti-dilution adjustments if applicable. Further, at any time during the period commencing on the first anniversary of the completion of the IPO and ending on September 29, 2023, the Company has the right (but not the obligation) to convert all (but not less than all) of the outstanding principal amount of the optionally convertible promissory notes into the Company's ordinary shares so long as the closing price of its ordinary share (represented by ADSs) for each of any 20 trading days occurring within a period of 30 consecutive trading days is at least 125% of the Conversion Price. The number of ordinary shares to be issued to the holders of optionally convertible promissory notes under this circumstance is determined by dividing the outstanding principal amount by the applicable Conversion Price, subject to adjustments, if applicable.

The Group measured the liability component of optionally convertible promissory notes at initial recognition based on its best estimate of the present value of the redemption amount and recognized the residual between the fair value of optionally convertible promissory notes and the fair value of the liability component to the equity component to reflect the value of conversion rights. Subsequent to initial recognition, the liability component of convertible promissory note is measured at amortized cost using effective interest rate method with interest expenses recorded in the finance costs. The equity component will not be re-measured subsequently.

	<u>Liabilities</u>	<u>Equity</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Initial recognition upon C-round restructuring	7,762,475	1,489,748
Interest accrued at effective interest rate	127,509	–
Exchange differences	(359,442)	–
Carrying value as of December 31, 2020	<u>7,530,542</u>	<u>1,489,748</u>
Interest accrued at effective interest rate	495,079	–
Interest paid	(446,953)	–
Exchange differences	(173,565)	–
Carrying value as of December 31, 2021	<u>7,405,103</u>	<u>1,489,748</u>
Interest accrued at effective interest rate	521,747	–
Interest paid	(493,134)	–
Exchange differences	709,192	–
Carrying value as of December 31, 2022	<u>8,142,908</u>	<u>1,489,748</u>

36 Other liabilities

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrued expenses	2,062,869	2,173,256	1,617,983
Payable for other debt investments (a)	–	–	261,851
Derivative financial liabilities (b)(c)	547,597	25,772	–
Provisions	110,930	110,930	112,584
Others	15,538	5,990	8,350
	<u>2,736,934</u>	<u>2,315,948</u>	<u>2,000,768</u>

- (a) Payable for other debt investments is primarily relating to the distribution of proceeds from other assets jointly invested with other parties in accordance with the provisions of the agreement.

(b) Foreign currency swaps

	As of December 31,	
	2020	2021
	('000)	('000)
Carrying amount	RMB535,944	RMB25,772
Notional amount	USD1,110,212	USD170,000
Maturity date	15/01/2021-01/09/2021	01/09/2022
Pay side	RMB	RMB
Receive side	USD	USD

(c) Interest rate swap

	As of December 31, 2020	
	('000)	
Carrying amount	RMB11,653	
Notional amount	USD1,290,000	
Maturity date	18/05/2023	
Pay type	Fixed	
Receive type	1 month	

37 Share capital and share premium

	Class A ordinary share			Class B ordinary share (a)			Ordinary share		
	Number of shares	Share capital RMB'000	Share premium RMB'000	Number of shares	Share capital RMB'000	Share premium RMB'000	Number of shares	Share capital RMB'000	Share premium RMB'000
As of January 1, 2020	987,146,871	61	3,242,972	135,196,846	8	10,870,339	-	-	-
Conversion of Class B ordinary shares and Class C ordinary shares to Class A ordinary shares (b)	136,859,460	8	11,278,459	(135,196,846)	(8)	(10,870,339)	-	-	-
Re-designation and reclassification of Class A ordinary shares into ordinary shares (c)	(1,124,006,331)	(69)	(14,521,431)	-	-	-	1,124,006,331	69	14,521,431
Issuance of ordinary shares upon IPO and exercise of over-allotment option (d)	-	-	-	-	-	-	99,577,564	7	17,305,119
Conversion of automatically convertible promissory notes to ordinary shares (e)	-	-	-	-	-	-	7,566,665	1	1,386,876
As of December 31, 2020	-	-	-	-	-	-	1,231,150,560	77	33,213,426
Retirement of ordinary shares (f)	-	-	-	-	-	-	(35,644,803)	(2)	-
Issuance of ordinary shares for share-based payment (g)	-	-	-	-	-	-	8,000,000	-	152,360
Exercise of share-based payment	-	-	-	-	-	-	-	-	-
As of December 31, 2021	-	-	-	-	-	-	1,203,505,757	75	33,365,786
Exercise of share-based payment	-	-	-	-	-	-	-	-	127,063
Redemption and extension of convertible promissory notes (Note 34(a))	-	-	-	-	-	-	-	-	6,209,598
Cash Dividend (Note 45)	-	-	-	-	-	-	-	-	(7,628,573)
As of December 31, 2022	-	-	-	-	-	-	1,203,505,757	75	32,073,874

- (a) Besides the liquidation preference, holders of Class B ordinary shares were entitled to voting rights and dividend rights similar to Class A ordinary shareholders. Class B ordinary shares were automatically converted into Class A ordinary shares upon the occurrence of a qualified listing.
- (b) Immediately prior to the Company's successful IPO on October 30, 2020, all of the Company's then issued and outstanding 135,196,846 Class B and 1,662,614 Class C ordinary shares were automatically converted into Class A ordinary shares on a one-for-one basis. Upon conversion of Class C ordinary shares, par value of ordinary shares issued was recorded as share capital and the difference between the then carrying value of Class C ordinary share (i.e. liability component recognized in convertible redeemable preferred shares and equity component recognized in other reserves) and par value of RMB408 million was recorded as share premium.
- (c) Immediately prior to the Company's successful IPO on October 30, 2020, all of the Company's then issued and outstanding 1,124,006,331 Class A ordinary shares after the conversion of Class B and Class C ordinary shares were re-designated and reclassified into ordinary shares.
- (d) On October 30, 2020, the Company issued and sold 87,500,000 ordinary shares in its IPO with every two ADSs representing one ordinary share. On December 1, 2020, upon partial exercise of the underwriters' over-allotment options, the Company further issued and sold 12,077,564 ordinary shares. Upon issuance of ordinary shares for the IPO and for the exercise of the over-allotment option, par value of ordinary shares issued was recorded as share capital and the difference between the cash consideration raised as part of the IPO and the exercise of underwriters' over-allotment options and par value recorded of RMB17,305 million was recorded as share premium.
- (e) Upon the Company's successful IPO on October 30, 2020, the automatically convertible promissory notes were automatically converted into 7,566,665 ordinary shares at the IPO price of USD13.5 per ADS (USD27 per ordinary share) with par value of ordinary shares issued recorded as share capital and the difference between the then carrying value of automatically convertible promissory notes and par value recorded of RMB1,387 million was recorded as share premium.
- (f) The Company's board of directors previously designated Tun Kung Company Limited, a principal shareholder of the Company, as the entity to hold 35,644,803 shares reserved under the share incentive plans of the Company, pursuant to authorization under the existing plans.
- (g) The Company issued 8 million shares for the future exercise of share-based payments during the year ended December 31, 2021, which amounted to RMB517.

38 Treasury shares

	<u>Shares</u>	<u>Amount</u> <i>RMB'000</i>
As of January 1, 2020	35,644,803	2
As of December 31, 2020	35,644,803	2
Repurchase of ordinary shares (a)	53,507,241	5,560,104
Retirement of ordinary shares (Note 37(f))	(35,644,803)	(2)
Issuance of ordinary shares for share-based payment (Note 37(g))	8,000,000	–
Exercise of share-based payment (b)	(2,219,927)	–
As of December 31, 2021	59,287,314	5,560,104
Repurchase of ordinary shares (a)	1,447,513	82,665
Exercise of share-based payment (b)	(3,223,040)	–
As of December 31, 2022	57,511,787	5,642,769

- (a) In 2021, the Company's board of directors authorized share repurchase programs under which the Company could repurchase up to an aggregate of USD1 billion of its shares during a specific period of time. As of December 31, 2022, the Company had repurchased 55.0 million shares for approximately RMB5,643 million under share repurchase programs.
- (b) For the year ended December 31, 2020, 2021 and 2022, the number of treasury shares of nil and 2,219,927 and 3,223,040 had been used for the exercise of share-based payment with a par value of USD0.00001 per share, respectively, which amounted to RMB nil, RMB143 and RMB224.

39 Other reserves

	<u>Employee share-based compensation reserve</u>	<u>Translation differences</u>	<u>General reserve</u>	<u>Value of conversion rights - optionally convertible promissory notes (Note 35)</u>	<u>Value of conversion rights - convertible redeemable preferred shares</u>	<u>Value of conversion rights - convertible promissory note (Note 34)</u>	<u>Capital reserve and others</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2020	451,325	(467,819)	223,712	–	230,006	5,744,955	(1,599,888)	4,582,291
C-round restructuring	–	–	–	1,489,748	(219,738)	–	25,648	1,295,658
Conversion of Class C ordinary shares to ordinary shares upon IPO	–	–	–	–	(10,268)	–	–	(10,268)
Foreign operation translation difference	–	614,399	–	–	–	–	–	614,399
Appropriation to general reserve	–	–	772,466	–	–	–	–	772,466
Share-based payment	164,164	–	–	–	–	–	–	164,164
As of December 31, 2020	615,489	146,580	996,178	1,489,748	–	5,744,955	(1,574,240)	7,418,710

	Employee share-based compensation reserve	Translation differences	General reserve	Value of conversion rights - optionally convertible promissory notes (Note 35)	Value of conversion rights - convertible promissory note (Note 34)	Capital reserve and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2021	615,489	146,580	996,178	1,489,748	5,744,955	(1,574,240)	7,418,710
Exercise of share-based payment	(72,709)	–	–	–	–	–	(72,709)
Foreign operation translation difference	–	28,402	–	–	–	–	28,402
Appropriation to general reserve	–	–	1,789,034	–	–	–	1,789,034
Share-based payment	132,071	–	–	–	–	–	132,071
Acquisition of non-controlling interests of a subsidiary	–	–	–	–	–	9,487	9,487
As of December 31, 2021	674,851	174,982	2,785,212	1,489,748	5,744,955	(1,564,753)	9,304,995

	Employee share-based compensation reserve	Translation differences	General reserve	Value of conversion rights - optionally convertible promissory notes (Note 35)	Value of conversion rights - convertible promissory note (Note 34)	Capital reserve and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2022	674,851	174,982	2,785,212	1,489,748	5,744,955	(1,564,753)	9,304,995
Exercise of share-based payment	(68,110)	–	–	–	–	–	(68,110)
Foreign operation translation difference	–	(1,581,252)	–	–	–	–	(1,581,252)
Appropriation to general reserve	–	–	42,078	–	–	–	42,078
Share-based payment	45,491	–	–	–	–	–	45,491
Redemption and extension of convertible promissory notes (Note 34(a))	–	–	–	–	(5,584,770)	–	(5,584,770)
As of December 31, 2022	652,232	(1,406,270)	2,827,290	1,489,748	160,185	(1,564,753)	2,158,432

40 Retained earnings

In accordance with the relevant laws and regulations, each of the Company's subsidiaries, the Consolidated Affiliated Entities and Subsidiaries of Consolidated Affiliated Entities incorporated in the PRC is required to annually appropriate 10% of its after-tax income to its statutory surplus reserve prior to payment of any dividends, unless such reserve funds have reached 50% of such entity's registered capital. As of December 31, 2020, 2021 and 2022, the accumulated statutory surplus reserve was RMB3,330 million and RMB4,240 million and RMB4,432 million, respectively. Such reserves are not available for dividend distribution.

41 Commitment

(a) Financing guarantee commitments

The Group provides financing guarantees services to individuals and small and micro-business owners who successfully obtain loans through the Group's platform. The following table sets forth the balance of such commitment under the financing guarantee contracts for which the Group does not consolidate the underlying loans. The maximum exposure to credit risk before collateral held or other credit

enhancements is depicted in note 4.1.2. All credit risk exposure of financing guarantee contracts have accrued corresponding ECL allowance (Note 33).

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financing guarantee commitments	20,969,026	64,731,369	68,502,938

42 Note to consolidated statements of cash flows

(a) Reconciliation from profit before income tax expenses to cash generated from operating activities:

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profits before income tax	17,909,505	23,400,178	13,013,271
Adjustments for:			
Depreciation of property and equipment	226,862	193,511	177,799
Depreciation of right-of-use assets	604,018	608,889	578,014
Amortization of intangible assets	31,831	22,234	15,325
Share of loss/(profit) of associates and joint ventures	(14,837)	31,143	218
Net gains on sale of property and equipment, and intangible assets	184	6,681	24,256
Net unrealized losses on financial assets at fair value through profit or loss	558,044	483,356	212,297
Non-cash employee benefits expense—share based payment	165,248	133,395	45,919
Asset impairment losses	7,168	1,100,882	427,108
Credit impairment losses	2,768,499	5,658,259	11,956,103
Finance cost classified as financing activities	3,137,737	1,808,050	2,502,008
Investment income classified as investing activities	(1,127,006)	(1,592,319)	(1,460,167)
Foreign exchange losses/(gains)	(192,337)	(206,753)	877,232
	24,074,916	31,647,506	28,369,383
Change in operating assets and liabilities, net of effects from purchase of controlled entity:			
Decrease/(increase) in loans to customers and accounts and other receivables	(68,897,073)	(101,160,641)	10,415,490
Increase/(decrease) in accounts and other payables	56,166,868	82,508,406	(24,054,567)
	11,344,711	12,995,271	14,730,306

(b) Net increase in cash and cash equivalents

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents at the end of the year	23,785,651	26,496,310	29,537,511
Less: Cash and cash equivalents at the beginning of the year	<u>(7,312,061)</u>	<u>(23,785,651)</u>	<u>(26,496,310)</u>
Net increase in cash and cash equivalents	<u>16,473,590</u>	<u>2,710,659</u>	<u>3,041,201</u>

(c) Cash and cash equivalents

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank (Note 16)	24,158,568	34,743,188	43,882,127
Less: Time deposits with original maturities of more than 3 months	(373,102)	(8,250,270)	(14,346,731)
Add: Provision for impairment losses	<u>185</u>	<u>3,392</u>	<u>2,115</u>
Cash and cash equivalents at the end of the year	<u>23,785,651</u>	<u>26,496,310</u>	<u>29,537,511</u>

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years ended December 31, 2020, 2021 and 2022.

	Borrowings	Bond payable	Convertible promissory note payable	Convertible redeemable preferred shares	Lease liabilities	Optionally convertible promissory note	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2020	2,989,862	–	10,014,377	10,258,898	939,089	–	24,202,226
Cash flows	7,583,729	–	(92,981)	(928,242)	(596,575)	–	5,965,931
C-round restructuring	–	–	–	(9,234,748)	–	7,762,475	(1,472,273)
Conversion of Class C ordinary shares to ordinary shares upon IPO	–	–	–	(367,916)	–	–	(367,916)
Acquisitions-leases	–	–	–	–	653,251	–	653,251
Disposals-leases	–	–	–	–	(62,913)	–	(62,913)
Foreign exchange adjustments	(469,452)	–	(687,967)	(262,678)	–	(359,442)	(1,779,539)
Accrued expense	211,306	–	883,759	534,686	46,567	127,509	1,803,827
As of December 31, 2020	10,315,445	–	10,117,188	–	979,419	7,530,542	28,942,594
Cash flows	15,242,903	–	(100,937)	–	(663,160)	(446,953)	14,031,853
Acquisitions-leases	–	–	–	–	501,663	–	501,663
Disposals-leases	–	–	–	–	(62,087)	–	(62,087)
Foreign exchange adjustments	(227,077)	–	(239,754)	–	–	(173,565)	(640,396)
Accrued expense	596,146	–	893,001	–	38,709	495,079	2,022,935
As of December 31, 2021	25,927,417	–	10,669,498	–	794,544	7,405,103	44,796,562
Cash flows	8,675,099	2,010,782	(3,863,265)	–	(604,172)	(493,134)	5,725,310
Redemption of convertible promissory notes	–	–	(3,697,127)	–	–	–	(3,697,127)
Acquisitions-leases	–	–	–	–	589,488	–	589,488
Disposals-leases	–	–	–	–	(72,455)	–	(72,455)
Foreign exchange adjustments	772,437	75,524	1,009,422	–	–	709,192	2,566,575
Accrued expense	1,540,560	57,042	1,045,611	–	41,402	521,747	3,206,362
As of December 31, 2022	36,915,513	2,143,348	5,164,139	–	748,807	8,142,908	53,114,715

43 Share-based payment

The employees of the Group participate in share-based compensation plans under which share options and PSUs may be granted.

(a) Share options

In December 2014 and August 2015, the Board of Directors of the Company approved the establishment of the Phase I Share Incentive Plan (the “2014 Plan”) and the Phase II Share Incentive Plan (the “2015 Plan”) to grant a maximum of 20,644,803 Class A ordinary shares and maximum of 25,000,000 Class A ordinary shares, respectively. The shares reserved for grants under the two plans were treated as treasury shares in the consolidated financial statements.

Options granted under the 2014 Plan and 2015 Plan are valid and effective for 10 years from the date of grant and generally vest evenly over four years. The Group originally determined that the vesting period would commence no later than the grant date and would end either on the date 6 months after

the IPO date or on the service condition ending date, whichever was later. Before the IPO, the Group revised the vesting period to reflect the best available estimate of the IPO date. Before the successful IPO, any change in the estimate of the IPO date resulted in an adjustment of share-based compensation expenses on cumulative basis in the period when such change was made.

The Group does not have statutory or constructive obligations to purchase or repay options by cash.

The following table sets forth the changes in the number of outstanding options and the weighted average exercise prices:

	Average exercise price per share option	Number of options (in '000)
Outstanding as of January 1, 2020	74.99	25,344
Forfeited during the year	79.23	(3,884)
As of December 31, 2020	74.22	21,460
Forfeited during the year	91.64	(1,702)
Exercised during the year	41.43	(1,937)
As of December 31, 2021	76.12	17,821
Exercised during the period	20.28	(2,821)
As of December 31, 2022	86.62	15,000

The Company recognized RMB95 million, RMB4 million and RMB27 million in expenses related to share options in 2020, 2021 and 2022, respectively. No options expired during the periods covered by the above table. The weighted-average remaining contract life for outstanding share options was 5.52 years, 4.47 years and 3.71 years as of December 31, 2020, 2021 and 2022, respectively. The following table sets forth the outstanding share options as of December 31, 2022 by different exercise price:

Exercise price per share option	Number of options (in '000)
8.00	535
50.00	3,738
98.06	7,905
118.00	2,822
	15,000

No share options were granted for the years ended December 31, 2020, 2021 and 2022.

(b) PSUs

On September 4, 2019, the Board of Directors of the Company approved the establishment of the 2019 Performance Share Unit Plan ("2019 Plan") to grant a maximum of 15,000,000 Class A ordinary shares which were reallocated from the 2015 Plan. Such shares were issued to Tun Kung Company Limited on December 24, 2019 and were treated as treasury shares in the consolidated financial statements. On July 21, 2021, the Company's board of directors approved and authorized the Company to repurchase an aggregate of 35,644,803 shares, which included shares relating to the 2014 Plan, the 2015 Plan and the 2019 Plan, from Tun Kung Company Limited at par value.

For the year ended December 31, 2020, 2021 and 2022, 1,990,600 PSUs, 1,589,900 PSUs, 39,500 PSUs were granted respectively, which are generally subject to a four-year vesting schedule as determined by the administrator of the plans. The actual number of PSUs provided to a grantee can vary from zero to 100 percent depending on the Group's performance against certain key performance indicators which are determined annually.

The following table sets forth the changes in the number of PSUs and weighted average exercise prices:

	Weighted average grant day fair value	Number of units (in '000)
Outstanding as of January 1, 2020	—	—
Granted during the year	140.88	1,990
Forfeited during the year	141.31	(32)
Outstanding as of December 31, 2020	<u>140.87</u>	<u>1,958</u>
Granted during the year	82.60	1,590
Exercised during the year	141.69	(283)
Forfeited and other change during the year	152.70	(223)
Outstanding as of December 31, 2021	<u>109.47</u>	<u>3,042</u>
Granted during the year	60.78	40
Exercised during the year	112.47	(402)
Forfeited and other change during the year	286.29	(325)
Outstanding as of December 31, 2022	<u>83.73</u>	<u>2,355</u>

For the year ended December 31, 2020, 2021 and 2022, the Company recognized RMB70 million, RMB129 million, RMB19 million of expenses related to PSUs, respectively.

The Group determined the underlying equity fair value of the Company based on its stock price as of the grant date. Based on fair value of the underlying equity, the Group uses Monte Carlo Simulation model to determine the fair value of the share unit as of the grant date. The risk-free rate was estimated based on the yield of the U.S treasury bond with a maturity date similar to the maturity date

of the share unit plus the country risk premium of China. Volatility was estimated at grant date based on the average of the historical volatilities of the comparable companies over a period of time commensurable in length to the time to maturity of the share unit. Dividend yield was estimated based on management's best estimate at the grant date. The following table sets forth the key assumptions used in the Monte Carlo Simulation model for the share units granted during the years ended December 31, 2020, 2021 and 2022.

	PSUs granted in Year ended December 31,		
	2020	2021	2022
Risk-free rate	1.61%-2.99%	0.94%-1.70%	1.36%-3.37%
Expected volatility rate	37.40%-38.00%	55.40%-59.70%	55.40%-60.05%
Expected dividend yield	0.00%	0.00%-3.00%	0.00%-3.01%

44 Related parties and related party transactions

The following significant transactions were carried out between the Group and its related parties during the years ended December 31, 2020, 2021 and 2022.

(a) Names and relationships with related parties

The following table sets forth the major related parties which have major transactions with the Group during the years ended December 31, 2020, 2021 and 2022:

Name of related parties	Relationship with the Company
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	Significant influence on the Group and its subsidiaries

44.1 Significant transactions with related parties

The following are the significant related party transactions and balances during the period and as of period end:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
<u>Technology platform based income</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	635,143	1,414,885	1,529,485
<u>Other income</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	1,234,616	3,538,974	1,053,718
<u>Investment income</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	261,148	594,446	338,252
<u>Finance costs-Interest income</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	147,638	247,238	281,130
<u>Finance costs-Interest expense</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	67,468	6,151	25,435
<u>Sales and marketing expenses, general and administrative expenses, operation and servicing expenses, and technology and analytics expenses</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	3,090,052	3,294,358	2,919,391
<u>Other gains/(losses) – net</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	(499,543)	(211,674)	350,329

Technology platform based income

Ping An Group is a product provider of the Group's technology platform. The investment products provided by Ping An Group primarily include private investment funds, insurance products, bank products, trust plans and bank products. Fees are collected from Ping An Group for facilitation of investment products offered on the Group's technology platform. The Group generally receives service fees based on a certain percentage of the volume of investment products facilitated and loans made by Ping An Group. Such fee is recognized upon successful facilitation.

Other income

Other income mainly comprises income for the account management services provided by the Group to Ping An Group. The Group generally receives the service fees monthly based on the number of accounts managed and the performance of the underlying loans managed by the Group for Ping An Group. In September 2022, the account management service contracts with Ping An P&C were revised as a result of worse-than-expected loan performance. Based on the negotiation with Ping An P&C, the Group agreed to revise the contract and refunded RMB440 million to Ping An P&C and charged the account management fees based on loan performance after September 2022.

Net interest income—Interest expense

The interest expense mainly consists of interest paid for borrowings from Ping An Group. These borrowings were used to providing funding for on-balance sheet loans under the Company's retail credit and enablement business. The interest expenses are calculated based on the effective interest rates and the carrying amount of such borrowings.

Investment income

Investment income mainly consists of investment return received by the Group on investment products issued or managed by Ping An Group.

Finance costs

Ping An Group provides deposit services and financing services to the Group.

Finance costs include interest paid to Ping An Group for borrowings used for businesses other than the retail credit and enablement business, interest paid to Ping An Group for its subscription in the consolidated wealth management products managed by the Group and interest income received from Ping An Group for cash deposited by the Group in Ping An Group. The finance cost is calculated based on the effective interest rates on the outstanding balances.

Sales and marketing expenses, general and administrative expenses, operation and servicing expenses, and technology and analytics expenses

Ping An Group provides a wide spectrum of services to the Group, including but not limited to: (1) accounting processing and data communication services; (2) transaction settlement and custodian service; (3) office premise rental services; (4) technology support; and (5) HR support. The Group, in return, pays service fees to Ping An Group. The precise scope of service, service fees calculation, method of payment and other details of the service arrangement are agreed between the relevant parties separately.

The services fees paid by the Group to Ping An Group are determine through a bidding procedure according to the internal policies and procedures of the Group. if no tendering and bidding process is required under the Group's internal policies, they are determined through mutual negotiations between the two parties based on historical fees of such services and comparable market rates.

Other gains/(losses)—net

Other gains/(losses)—net mainly consist of foreign exchange losses due to the foreign exchange swaps provided by Ping An Group.

Leases

Part of the right-of-use assets and lease liabilities are rented from Ping An Group, and are used as workplace.

Convertible promissory note payable

Ping An Group also held a convertible promissory note issued by the Company, which is disclosed in Note 34.

Purchase of financial assets

The Group purchased certain assets management plans, trust plans, mutual funds, private fund and other equity investments, bank wealth management products and corporate bonds managed and/or issued by Ping An Group. Please refer to Note 4.3 for the Group's maximum exposure related to these investments.

44.2 Year end balances with related parties

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade related (i)			
<u>Cash</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	14,392,047	9,648,043	14,316,239
<u>Account and other receivables and contract assets</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	818,378	1,386,252	1,310,245
<u>Accounts and other payables and contract liabilities and other liabilities</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	177,912	723,646	560,888

	As of December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
<u>Non-trade related (ii)</u>			
<u>Account and other receivables and contract assets and other assets</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	1,222,491	1,665,875	1,641,361
<u>Payable to platform investors, accounts and other payables and contract liabilities and other liabilities</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	1,710,153	78,102	3,839,817
<u>Financial assets at amortized cost</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	4,159,973	1,279,156	2,504,622
<u>Borrowings</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	—	—	820,716
<u>Financial assets at fair value through profit or loss</u>			
Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries	3,029,174	3,500,726	—

- (i) The balances with related parties were unsecured, interest-free and repayable on demand.

In 2022, the Company has paid cash dividends to An Ke Technology Company Limited and Ping An Insurance Overseas (Holdings) Limited, which amounting USD291 million and USD194 million, respectively.

- (ii) These non-trade balances with related parties were mainly for treasury management purpose which are collectable or repayable on demand or within one year. The Company does not plan to settle all non-trade nature related party transactions before Listing.

44.3 Key management personnel compensation

Key management includes directors (executive and non-executive) and senior officers. The following table sets forth the compensations paid or payable to key management for employee services:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Wages and salaries	29,192	26,728	21,081
Welfare and other benefits	34,560	29,804	16,038
Including: Bonuses	28,061	24,066	8,617
Share-based payment	68,771	56,317	22,719
	<u>132,523</u>	<u>112,849</u>	<u>59,838</u>

45 Dividends

No dividend was paid by the Company during the years ended December 31, 2020 and 2021. On November 8, 2021, the Company's board of directors approved an annual cash dividend policy. Under the policy, starting from 2022, the Company would declare and distribute a recurring cash dividend at an amount range from 20% to 40% of the consolidated net profit in the previous fiscal year. Whether to make dividend distributions and the exact amount of such distributions in any particular year would be based upon the Company's operations and earnings, cash flow, financial condition and other relevant factors, and subject to adjustment and determination by the board of directors. On August 3, 2022, the Company's board of directors approved a semi-annual cash dividend policy to replace its existing dividend policy.

On March 7, 2022, the Company's board of directors approved and declared a cash dividend of USD0.68 per ordinary share based on the Company's outstanding shares to shareholders on record as of the close of trading on the New York Stock Exchange on April 8, 2022, which amounting to 1,144,226,418 shares. This annual dividend was paid in April 2022.

On August 3, 2022, the Company's board of directors approved an interm cash dividend of USD0.34 per ordinary share for the six-month period ended June 30, 2022, based on the Company's outstanding shares to shareholders on record as of the close of trading on the New York Stock Exchange on October 13, 2022, which amounting to 1,145,926,797 shares. The interim dividend was paid in October 2022.

The dividend declaration triggered an anti-dilution adjustment to the conversion price and the adjusted conversion prices of Notes and optionally convertible promissory notes were USD13.45 and USD28.33 per ordinary share respectively following the dividend declarations.

46 Contingent liability

Other than as disclosed in the previous notes (Note 41), the Group did not have any significant contingent liability as of December 31, 2020, 2021 and 2022.

47 Benefits and interests of directors

The remuneration of each director of the Company includes director's fees, salaries and bonuses, social security and housing fund, other benefits, and non-monetary benefits.

The director's fee, salaries and bonuses, social security and housing fund and other benefits incurred by the Group for the years ended December 31, 2020, 2021 and 2022 are set out as follows:

Year ended December 31, 2020:

Name	Director's fee	Salaries and bonuses	Social security and housing fund	Other benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive Directors:					
Cho Yong Suk	–	9,750	30	2,239	12,019
Gregory Dean Gibb	–	8,880	65	2,156	11,101
Ji Guangheng	–	10,375	26	297	10,698
Li Renjie	–	10,100	–	522	10,622
Non-Executive Directors:					
Zhang Xudong	400	–	–	–	400
Li Weidong	400	–	–	–	400
Kwong Che Keung Gordon	224	–	–	–	224
Ha Jiming	1,957	–	–	–	1,957
Yang Rusheng	176	–	–	–	176
Sin Yin Tan	–	–	–	–	–
Jason Bo Yao	–	–	–	–	–
Law Eddie Siu Wah	–	–	–	–	–
Ip So Lan	–	–	–	–	–
Ahmed Ali Al-Hammadi	–	–	–	–	–
Peter Jurdjevic	–	–	–	–	–
	3,157	39,105	121	5,214	47,597

Year ended December 31, 2021:

Name	Director's fee	Salaries and bonuses	Social security and housing fund	Other benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive Directors:					
Cho Yong Suk	–	14,070	74	2,147	16,291
Gregory Dean Gibb	–	8,410	74	1,963	10,447
Ji Guangheng	–	12,090	83	523	12,696
Li Renjie	–	667	–	175	842
Non-Executive Directors:					
Zhang Xudong	500	–	–	–	500
Li Weidong	500	–	–	–	500
Ha Jiming	164	–	–	–	164
Yang Rusheng	500	–	–	–	500
Tang Yunwei	458	–	–	–	458
Li Xianglin	458	–	–	–	458
Sin Yin Tan	–	–	–	–	–
Jason Bo Yao	–	–	–	–	–
Law Eddie Siu Wah	–	–	–	–	–
Peter Jurdjevic	–	–	–	–	–
Li Rui	–	–	–	–	–
	2,580	35,237	231	4,808	42,856

Year ended December 31, 2022:

Name	Director's fee	Salaries and bonuses	Social security and housing fund	Other benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive Directors:					
Cho Yong Suk	–	7,750	82	2,242	10,074
Gregory Dean Gibb	–	4,580	76	2,433	7,089
Ji Guangheng	–	2,673	23	87	2,783
Non-Executive Directors:					
Zhang Xudong	500	–	–	–	500
Li Weidong	500	–	–	–	500
Yang Rusheng	500	–	–	–	500
Tang Yunwei	448	–	–	–	448
Li Xianglin	500	–	–	–	500
Li Rui	–	–	–	–	–
Ou Hanjie	–	–	–	–	–
Cai Fangfang	–	–	–	–	–
Fu Xin	–	–	–	–	–
Huang Yuqiang	–	–	–	–	–
	2,448	15,003	181	4,762	22,394

Other non-monetary benefits include share options and performance share units (“PSUs”). In the years ended December 31, 2020, 2021 and 2022, the total number of shares issued upon the exercise of share options and vesting of PSUs granted to the directors of the Company was nil, 951,276.5 and 1,685,372.5, respectively, with trading prices ranging from USD2.96 per share to USD18.11 per share.

48 Parent company only condensed financial information

Parent company only financial statements include condensed financial information as to statements of financial position, cash flows and comprehensive income of a parent company as of the same dates and for the same periods for which the historical financial information have been presented.

The Company did not have significant capital and other commitments or guarantees as of December 31, 2022. The subsidiaries did not pay any dividend to the Company for the periods presented.

(a) Investments accounted for using the equity method

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investments in subsidiaries	77,046,809	95,412,806	106,249,382
Investments in associates	489,931	459,496	39,271
	<u>77,536,740</u>	<u>95,872,302</u>	<u>106,288,653</u>

Condensed Statements of Comprehensive Income

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment income	113,793	60,006	38,695
Income from subsidiaries and VIEs	15,149,508	18,035,463	10,683,088
Total income	<u>15,263,301</u>	<u>18,095,469</u>	<u>10,721,783</u>
General and administrative expenses	(91,233)	(113,056)	(113,983)
Credit impairment losses	(6,314)	2,210	6,972
Finance costs	(2,901,518)	(1,380,292)	(1,753,486)
Other gains/(losses) – net	89,878	202,562	(161,917)
Total expenses	<u>(2,909,187)</u>	<u>(1,288,576)</u>	<u>(2,022,414)</u>
Income before income tax expenses	12,354,114	16,806,893	8,699,369
Less: Income tax expenses	–	(2,513)	–
Net profit for the year	<u>12,354,114</u>	<u>16,804,380</u>	<u>8,699,369</u>
Net profit attributable to: Owners of the Company	12,354,114	16,804,380	8,699,369
Other comprehensive income/(loss), net of tax:			
–Exchange differences on translation of foreign operations	614,399	28,402	(1,581,252)
Total comprehensive income for the year	<u>12,968,513</u>	<u>16,832,782</u>	<u>7,118,117</u>
Total comprehensive income attributable to: Owners of the Company	<u>12,968,513</u>	<u>16,832,782</u>	<u>7,118,117</u>

Condensed Statements of Cash Flows

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Cash used in operating activities	(98,869)	(105,253)	166,134
Net cash generated from/(used in) operating activities	(98,869)	(105,253)	166,134
Cash flows from investing activities			
Capital contribution to consolidated entities	(1,898,193)	(109,635)	–
Payment for advances to consolidated entities	(9,456,072)	(3,689,678)	(160,000)
Receipts of repayment of the advances from consolidated entities	2,374,680	7,249,502	12,450,046
Proceeds from sale of investment assets	1,875	6,522	419,538
Payment for acquisition of investment assets	–	(383,798)	(764,885)
Net cash generated from/(used in) investing activities	(8,977,710)	3,072,913	11,944,699
Cash flows from financing activities			
Proceeds from issuance of shares and other equity securities	17,343,739	–	–
Proceeds from exercise of share-based payment	–	43,456	95,911
Proceeds from borrowings	–	319,535	134,228
Repayment of borrowings	(1,128,036)	(369,929)	(374,464)
Repayment of convertible promissory note payable	–	–	(3,747,386)
Payment for interest expenses	(1,034,617)	(555,304)	(621,246)
Payment for dividend declared	–	–	(7,717,474)
Payment for repurchase of ordinary shares	–	(6,438,455)	–
Other financing activities	(4,745)	(1,131)	–
Net cash generated from/(used in) financing activities	15,176,341	(7,001,828)	(12,230,431)
Effect of exchange rate changes on cash and cash equivalents	(336,426)	(62,027)	(49,716)
Net increase/(decrease) in cash and cash equivalents	5,763,336	(4,096,195)	(169,314)
Add: Cash and cash equivalents at the beginning of the year	146,475	5,909,811	1,813,616
Cash and cash equivalents at the end of the year	5,909,811	1,813,616	1,644,302

49 Subsequent events

On March 9, 2023, the board of directors of the Company has approved a revised semi-annual cash dividend policy to replace its existing dividend policy. Under the revised dividend policy, starting from 2023, the Company will declare and distribute a recurring cash dividend semi-annually in which the aggregate amount of the semi-annual dividend distributions for each year is equivalent to approximately 20% to 40% of the Company's net profit in such fiscal year, or as otherwise authorized by the board of directors. The determination to make dividend distributions and the exact amount of such distributions in any particular semi-annual period will be based upon the Company's operations and earnings, cash flow, financial condition, and other relevant factors, and subject to adjustment and determination by the board of directors. On the same day, the board of directors of the Company has approved a cash dividend of USD0.10 per ordinary share for the six-month period ended

December 31, 2022, on the Company's outstanding shares to shareholders of record as of the close of trading on the New York Stock Exchange on April 7, 2023.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2022 and up to the date of this report.

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the Company's reporting accountant as set out in Appendix I to this document, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Listing on the consolidated net tangible assets of Group attributable to the owners of the Company as at December 31, 2022 as if the Listing had taken place on December 31, 2022.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to the owners of the Company, had the Listing been completed as at December 31, 2022 or at any future date.

	Unaudited consolidated net tangible assets attributable to owners of the Company as at December 31, 2022	Estimated listing expenses	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at December 31, 2022	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per ADS	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per ADS
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB</u>	<u>RMB</u>	<u>HK\$</u>	<u>HK\$</u>
	(Note 1)	(Note 2)		(Note 3)	(Note 4)	(Note 5)	(Note 5)
Based on							
1,145,993,970 Shares							
in issue immediately							
prior to the Listing	83,393,345	(61,205)	83,332,140	72.72	36.36	82.07	41.04

Notes:

- (1) The unaudited consolidated net tangible assets attributable to owners of the Company as at December 31, 2022 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the unaudited consolidated net assets attributable to owners of the Company as of December 31, 2022 of approximately RMB93,189,846,000 as set out in Appendix I with an adjustment for the intangible assets and goodwill attributable to the owners of the Company of approximately RMB885,056,000 and RMB8,911,445,000 respectively.
- (2) In relation to the Listing, the Company expects to incur listing expenses in an aggregate amount of approximately RMB72.6 million which mainly include professional fees to the Joint Sponsors, legal advisers, the legal advisers to the Joint Sponsors and the Reporting Accountant, of which RMB11.4 million has been accounted for in the consolidated statement of comprehensive income up to December 31, 2022.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,145,993,970 ordinary shares were in issue immediately prior to the Listing, assuming that the Listing has been completed on December 31, 2022, excluding 57,511,787 treasury shares held by the Company and did not take into consideration of the Shares to be issued pursuant to the share incentive plans including pursuant to the exercise of

options or the vesting of restricted shares or other awards that have been or may be granted from time to time, any issuance or repurchase and cancelation of Shares and/or ADSs by the Company, and any Shares which may be converted from the convertible promissory notes.

- (4) The unaudited pro forma adjusted net tangible assets per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that two ADSs represent one Share.
- (5) For the purpose of this pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of RMB 0.8860 to HK\$1.00.
- (6) No other adjustment has been made to the pro forma adjusted net tangible assets of the Company to reflect any trading results or other transactions of the Company entered into subsequent to December 31, 2022.
- (7) The unaudited pro forma adjusted net tangible assets do not take into account the cash dividend of US\$0.1 per ordinary share declared on March 9, 2023. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets per Share and unaudited pro forma adjusted net tangible assets per ADS would be approximately HK\$81.29 per Share and HK\$40.64 per ADS, respectively.

B. REPORT FROM THE REPORTING ACCOUNTANT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Lufax Holding Ltd

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Lufax Holding Ltd (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at December 31, 2022, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's listing document dated April 11, 2023 (the "Listing Document"), in connection with the proposed listing of the shares of the Company (the "Listing"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Listing Document.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Listing on the Group's financial position as at December 31, 2022 as if the Listing had taken place at December 31, 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for year ended December 31, 2022, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*, ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management ("HKSQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services*

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Engagements, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a listing document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Listing at December 31, 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, April 11, 2023

Set out below is a summary of certain provisions of the Memorandum and Articles of the Company and of certain aspects of Cayman Islands company law.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company to be conditionally adopted on April 12, 2023 states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix VI in the section headed “Documents Available on Display.”

2 Articles of Association

The Articles of Association of the Company to be conditionally adopted on April 12, 2023 include provisions to the following effect:

2.1 *Dividends*

The holders of ordinary shares are entitled to such dividends as may be declared by the Board of Directors. In addition, shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by the Board of Directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or the Company’s share premium account, and provided further that a dividend may not be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

Any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited by the Board of Directors and, if so forfeited, shall revert to the Company.

2.2 *Voting Rights*

Subject to any special rights or restrictions attached to any shares, at any general meeting (a) every member of the Company present shall have the right to speak; (b) on a show of hands every member present shall have one vote; and (c) on a poll every member present shall have one vote for every fully paid share of which he is the holder. At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the rules of the Designated Stock Exchange (as defined in the Articles of Association) to be voted on by a show of hands.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution. A special resolution requires the affirmative vote of no less than three-fourths of the votes cast by those members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

2.3 Transfer of Shares

Subject to the Articles of Association, any member may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the Board of Directors and may be under hand or, if the transferor or transferee is a clearing house or a central depository house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board of Directors may approve from time to time.

However, the Board of Directors may, in its absolute discretion, and without giving any reason therefor, refuse to register any transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien. The Board of Directors may also decline to recognize any instrument of transfer unless:

- (a) a fee of such maximum sum as the Designated Stock Exchange may determine to be payable or such lesser sum as the Board of Directors may from time to time require is paid to the Company in respect thereof;
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is lodged at the registered office of the Company or such other place at which the Register is kept in accordance with the Companies Act or the Registration Office (as defined in the Articles of Association)(as the case may be) accompanied by the relevant share certificate(s) and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
- (d) if applicable, the instrument of transfer is duly and properly stamped.

If the Board of Directors refuses to register a transfer of any share, it shall, within three months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of the refusal.

2.4 *Liquidation*

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares, (i) if the Company shall be wound up and the assets available for distribution amongst the shareholders shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

2.5 *Redemption, Repurchase and Surrender of Shares*

The Company may issue shares on terms that such shares are subject to redemption, at the option of the Company or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by ordinary resolutions of the members. Subject to the Companies Act, the Company's Memorandum and Articles of Association and, where applicable, the rules of the Designated Stock Exchange and/or any competent regulatory authority, the Company shall have the power to purchase or otherwise acquire its own shares and such power shall be exercisable by the Board of Directors in such manner, upon such terms and subject to such conditions as it in its absolute discretion thinks fit and any determination by the Board of Directors of the manner of purchase shall be deemed authorized by the Articles of Association for purposes of the Companies Act. Under the Companies Act, the redemption or repurchase of any share may be paid out of the Company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the Company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the Company has commenced liquidation. In addition, the Company may accept the surrender of any fully paid share for no consideration.

2.6 *Variation of Rights of Shares*

The rights attaching to any class of shares (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied, modified or abrogated with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

2.7 *General Meetings of Shareholders*

Shareholders' general meetings may be held in such place within or outside the Cayman Islands as the Board of Directors considers appropriate.

The Company shall hold a general meeting as its annual general meeting in each financial year. The annual general meeting shall be specified as such in the notices calling it.

Shareholders' annual general meetings and any other general meetings of the shareholders may be convened by a majority of the Board of Directors or the chairman of the Board of Directors.

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company shall at all times have the right, by written requisition to the Board of Directors or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board of Directors for the transaction of any business specified in such requisition and to add resolutions to a meeting agenda; and such meeting shall be held within two months after the deposit of such requisition. If within sixty one days of such deposit the Board of Directors fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board of Directors shall be reimbursed to the requisitionist(s) by the Company.

2.8 *Appointment and Removal of Directors*

The Articles of Association provide that unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than three. There shall be no maximum number of Directors unless otherwise determined from time to time by the members in general meeting.

The Articles of Association provide that the Company may by ordinary resolution appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Board of Directors, or remove any Director (including a managing Director or other executive Director) before the expiration of his term of office. In addition, the Board of Directors may, by the affirmative vote of a simple majority of the remaining Directors present and voting at a meeting of Board of Directors, appoint any person as a Director to fill a casual vacancy on the Board of Directors or as an addition to the existing Board of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his or her appointment and shall then be eligible for re-election. The Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall never be less than two.

There is no shareholding qualification for Directors nor is there any specific age limit for Directors.

The office of a Director shall be vacated if the Director:

- (a) resigns his office by notice in writing delivered to the Company at the Office or tendered at a meeting of the Board of Directors;
- (b) becomes of unsound mind or dies;

- (c) without special leave of absence from the Board of Directors, is absent from meetings of the Board of Directors for three consecutive meetings and the Board of Directors resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (e) is prohibited by law or the rules of the Designated Stock Exchange from being a Director; or
- (f) ceases to be a Director by virtue of any provision of the Companies Act or is removed from office pursuant to the Articles of Association.

2.9 *Proceedings of the Board*

The quorum necessary for the transaction of the business of the Board of Directors may be fixed by the Board of Directors and, unless so fixed at any other number, shall be a majority of the Directors.

The Directors may meet together (whether within or outside the Cayman Islands) for the despatch of business, adjourn and otherwise regulate their meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

2.10 *Changes in Share Capital*

The Company may by ordinary resolution (except for sub-paragraph (c) below which requires special resolution):

- (a) increase the share capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- (b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (c) without prejudice to the powers of the Board of Directors under the Articles of Association, divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Board of Directors may determine provided always that, for the avoidance of doubt, where a class of shares has been authorized by the Company no resolution of the members in general meeting is required for the issuance of shares of that class and the Board of Directors may issue shares of that class and determine such rights, privileges, conditions or restrictions attaching thereto as aforesaid, and further provided that where the Company issues shares which do not carry voting rights, the

words “non-voting” shall appear in the designation of such shares in the register of members of the Company and where the equity capital includes shares with different voting rights, the designation of each class of shares in the register of members of the Company, other than those with the most favorable voting rights, must include the words “restricted voting” or “limited voting”;

- (d) sub divide its shares, or any of them, into shares of smaller amount than is fixed by the Company’s Memorandum of Association (subject, nevertheless, to the Companies Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub division, one or more of the shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;
- (e) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so canceled or, in the case of shares, without par value, diminish the number of shares into which its capital is divided.

2.11 Directors’ Power to Issue Shares

Subject to the Companies Act, the Memorandum and Articles of Association and, where applicable, the rules of the Designated Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board of Directors, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board of Directors may in its absolute discretion determine but so that no shares shall be issued at a discount. Subject to the rules of the Designated Stock Exchange, the Board of Directors is empowered to authorize by resolution or resolutions from time to time, without approval of the members, the division of shares of the Company into different classes, the creation, establishment and issuance of one or more classes or series of shares and to fix the designations (or re-designations as the case may be), powers, preferences and relative, participating, optional and other rights, if any, and the qualifications, limitations and restrictions thereof, if any, including, without limitation, the number of shares constituting each such class or series, dividend rights, conversion rights, redemption privileges, voting powers, full or limited or no voting powers, and liquidation preferences, and to increase or decrease the size of any such class or series (but not below the number of shares of any class or series of shares then outstanding) to the extent permitted by the Companies Act.

2.12 Directors Borrowing Powers

The Board of Directors may exercise all the powers of the Company to raise or borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

2.13 *Disclosure of Interest in Contracts with the Company or any of our Subsidiaries*

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board of Directors at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board of Directors after he knows that he is or has become so interested.

A general notice to the Board of Directors by a Director to the effect that (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm; or (b) he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him; shall be deemed to be a sufficient declaration of interest under the Articles of Association in relation to any such contract or arrangement, provided that no such notice shall be effective unless either it is given at a meeting of the Board of Directors or the Director takes reasonable steps to secure that it is brought up and read at the next Board of Directors meeting after it is given.

Subject to any separate requirement for Audit Committee (if an Audit Committee has been formed by the Board of Directors) approval under applicable law or the listing rules of the Company's Designated Stock Exchange, and unless disqualified by the chairman of the relevant Board of Directors meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

2.14 *Remuneration of Directors*

The remuneration of the Directors may be determined by the Directors.

The Directors shall be entitled to be paid their traveling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending meetings of the Board of Directors, or committee of the Board of Directors, or general meetings or separate meetings of any class of shares or of debenture of the Company, or otherwise in connection with the discharge of their duties as a Director.

2.15 *Restriction on Ownership of Securities*

There are no provisions in the Articles of Association relating to restrictions on ownership of the Company's shares or securities.

2.16 *Appointment, removal and remuneration of auditors*

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 2, 2014 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action

against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such

a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held

by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The undertaking is for a period of twenty years from December 16, 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents Available on Display" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands law on December 2, 2014 with the name “Wincon Investment Company Limited” and we subsequently changed our name to “Lufax Holding Ltd” on August 27, 2015. Our registered office address is at the offices of Maples Corporate Services Limited at PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III.

We have established a place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on February 7, 2018. Ms. Sharon Wing Han LEUNG has been appointed as our authorized person of the Company for the acceptance of service of process in Hong Kong. The address for service of process is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

2. Changes in share capital of the Company

Upon incorporation, the Company had an authorized share capital of US\$50,000 divided into 5,000,000,000 ordinary shares with a par value of US\$0.00001 each.

The following sets out the changes in our issued share capital within the two years immediately preceding the date of this document:

- (a) In June 2021, we repurchased 11,651,830 ordinary shares in the form of 23,303,660 ADSs at a consideration of US\$280,794,379 pursuant to a share repurchase program adopted by the Company in May 2021.
- (b) In July 2021, we repurchased an aggregate of 35,644,803 ordinary shares held by Tun Kung Company Limited at par value per share, as approved by the Board and the audit committee of the Board, due to the amendment to the structure of our Share Incentive Plans.
- (c) In August 2021, we repurchased 8,531,752.5 ordinary shares in the form of 17,063,505 ADSs pursuant to a share repurchase program adopted by the Company in May 2021 and a share repurchase program adopted by the Company in August 2021 at an aggregate consideration of US\$134,293,367.
- (d) In September 2021, we repurchased 9,983,592.5 ordinary shares in the form of 19,967,185 ADSs at a consideration of US\$163,711,388 pursuant to a share repurchase program adopted by the Company in August 2021.
- (e) In October 2021, we repurchased 250,000 ordinary shares in the form of 500,000 ADSs at a consideration of US\$3,536,300 pursuant to a share repurchase program adopted by the Company in August 2021.

- (f) In November 2021, we repurchased 5,459,805 ordinary shares in the form of 10,919,610 ADSs at a consideration of US\$72,265,279 pursuant to a share repurchase program adopted by the Company in August 2021.
- (g) In December 2021, we repurchased 17,630,260.5 ordinary shares in the form of 35,260,521 ADSs at a consideration of US\$207,618,141 pursuant to a share repurchase program adopted by the Company in August 2021.
- (h) In January 2022, we repurchased 630,669.5 ordinary shares in the form of 1,261,339 ADSs at a consideration of US\$5,545,957 pursuant to a share repurchase program adopted by the Company in August 2021.
- (i) In February 2022, we repurchased 254,566 ordinary shares in the form of 509,132 ADSs at a consideration of US\$2,212,739 pursuant to a share repurchase program adopted by the Company in August 2021.
- (j) In March 2022, we repurchased 562,278 ordinary shares in the form of 1,124,556 ADSs at a consideration of US\$5,191,063 pursuant to a share repurchase program adopted by the Company in August 2021.

Save as disclosed under this subsection, there has been no alteration in the share capital of the Company during the two years immediately preceding the date of this document.

3. Changes in the share capital of our subsidiaries

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of the Group within two years immediately preceding the issue of this document. For further details, see the section headed “Waivers—The Disclosure Requirements with respect to Changes in Share Capital.”

The following sets out the changes in the share capital of our principal subsidiaries and Consolidated Affiliated Entities which made a material contribution to our results of operations during the two years immediately preceding the date of this document. For further details, see the section headed “History and Corporate Structure—Our Principal Operating Subsidiaries.”

- (a) On January 25, 2022, the registered capital of Ping An Puhui Financing Guarantee Co., Ltd. was increased from US\$553,219,080 to US\$3,109,801,102.

Save as disclosed under this subsection, there has been no alteration in the share capital of our principal subsidiaries and Consolidated Affiliated Entities within the two years immediately preceding the date of this document.

Resolutions of Our Shareholders at the EGM

The following resolutions of Shareholders, among others, will be put forth at the EGM:

- (a) the approval and adoption of the Memorandum and the Articles conditional on and effective upon the Listing to fully comply with the applicable Listing Rules;
- (b) the termination of the 2015 Share Incentive Plan, and the amendment and restatement of the 2014 Share Incentive Plan and the 2019 Performance Share Unit Plan with effect from the approval from the shareholders at the EGM;
- (c) the grant of a general mandate (the “**Sale Mandate**”) to our Directors to allot, issue and deal with any Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities of the Company and to make or grant offers, agreements or options which would or might require Shares to be allotted, issued or dealt with, provided that the number of Shares so allotted, issued or dealt with or agreed to be allotted, issued or dealt with by our Directors, shall not exceed 20% of the total number of issued and outstanding Shares immediately following the completion of the Listing (without taking into account the Shares which may be issued pursuant to the Share Incentive Plans or upon the conversion of outstanding Convertible Promissory Notes), conditional on and effective upon the Listing;
- (d) the grant of a general mandate (the “**Repurchase Mandate**”) to our Directors to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, provided that the total number of Shares of the Company which may be purchased pursuant to this mandate shall not exceed 10% of the total number of issued and outstanding Shares immediately following completion of the Listing (without taking into account the Shares which may be issued pursuant to the Share Incentive Plans or upon the conversion of outstanding Convertible Promissory Notes), conditional on and effective upon the Listing; and
- (e) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares purchased by the Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of issued and outstanding Shares immediately following completion of the Listing (without taking into account the Shares which may be issued pursuant to the Shares Incentive Plans or upon the conversion of outstanding Convertible Notes), conditional on and effective upon the Listing.

Each of the general mandates referred to above will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of the Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of the Company is required to be held under any applicable Laws of the Cayman Islands or our Memorandum and Articles of Association; and

- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

4. Explanatory statement on repurchase of our own securities

The following summarizes restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

Shareholders' approval

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

Size of mandate

The exercise in full of the Repurchase Mandate, on the basis of 1,146,108,643 issued and outstanding Shares as of the Latest Practicable Date, and assuming the number of Shares issued and outstanding as of the EGM date will remain the same, could accordingly result in up to approximately 114,610,864 Shares being repurchased by the Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as at the date of the shareholders' approval.

Reasons for repurchases

Our Directors believe that it is in the best interests of the Company and Shareholders for our Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit the Company and Shareholders.

Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with our Memorandum and Articles of Association and the applicable Laws of the Cayman Islands.

The Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any purchases by the Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorized by our Memorandum and Articles of Association and subject to the Companies Ordinance, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorized by our Memorandum and Articles of Association and subject to the Companies Ordinance, out of capital.

Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

Trading restrictions

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

Status of repurchased shares

The listing of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically canceled and the relevant documents of title must be canceled and destroyed as soon as reasonably practicable.

Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to the Company.

No core connected person of the Company has notified the Company that they have a present intention to sell Shares to the Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

Takeover implications

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable Laws of the Cayman Islands.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contract entered into in the ordinary course of business) have been entered into by member of our Group within the two years preceding the date of this document and is or may be material:

- (a) the termination agreement dated February 1, 2023 entered into among the Registered Shareholders, Shanghai Xionguo, Shanghai Huikang, Shanghai Lufax, XSBN Mercantile and Weikun (Shanghai) Technology, pursuant to which certain contractual arrangements of the Company were terminated, including the Exclusive Business Cooperation Agreements dated March 23, 2015, the Exclusive Equity Interest Option Agreements dated March 23, 2015, the Exclusive Asset Option Agreements dated March 23, 2015, the Voting Trust Agreements dated March 23, 2015, and the Share Pledge Agreements dated March 23, 2015;
- (b) the exclusive business cooperation agreement dated February 1, 2023 entered into between Weikun (Shanghai) Technology and Shanghai Huikang, pursuant to which Shanghai Huikang agreed to engage Weikun (Shanghai) Technology as its exclusive provider of technical, consulting and other services for consideration of agreed service fees;
- (c) the exclusive equity interest option agreement dated February 1, 2023 entered into among Weikun (Shanghai) Technology, Shanghai Xionguo, Shanghai Huikang, the Registered Shareholders and the Individual Shareholders, pursuant to which Weikun (Shanghai) Technology was granted an irrevocable and exclusive option to purchase, or designate one or more persons to purchase, the equity interests in Shanghai Huikang then held by Shanghai Xionguo at the prescribed price;

- (d) the exclusive asset option agreement dated February 1, 2023 entered into among Weikun (Shanghai) Technology, Shanghai Xiongguo, Shanghai Huikang, the Registered Shareholders and the Individual Shareholders, pursuant to which Weikun (Shanghai) Technology was granted an irrevocable and exclusive option to purchase, or designate one or more persons to purchase, the assets then held by Shanghai Huikang at the prescribed price;
- (e) the voting proxy agreement dated February 1, 2023 entered into among Shanghai Xiongguo, Weikun (Shanghai) Technology, Shanghai Huikang, the Registered Shareholders and the Individual Shareholders, pursuant to which Shanghai Xiongguo authorized Weikun (Shanghai) Technology and the persons designated by Weikun (Shanghai) Technology to act on its behalf to exercise all of its voting and other rights associated with its shareholder's equity interest in Shanghai Huikang;
- (f) the share pledge agreement dated February 1, 2023 entered into among Weikun (Shanghai) Technology, Shanghai Xiongguo, Shanghai Huikang, the Registered Shareholders and the Individual Shareholders, pursuant to which Shanghai Xiongguo and the Individual Shareholders pledged all of the equity interest Shanghai Xiongguo holds in Shanghai Huikang as security for the fulfillment of any and all obligations of Shanghai Xiongguo, Shanghai Huikang and the Individual Shareholders under the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement, the exclusive business cooperation agreement and the letters of undertakings of the Individual Shareholders, as well as their respective liabilities arising from any breach;
- (g) the letter of undertakings dated February 1, 2023 executed by Mr. Xuelian YANG to irrevocably undertake that he will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that he holds in Shanghai Huikang to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (h) the letter of undertakings dated February 1, 2023 executed by Ms. Wenjun WANG to irrevocably undertake that she will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that she holds in Shanghai Huikang to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (i) the letter of undertakings dated February 1, 2023 executed by Mr. Jingkui SHI to irrevocably undertake that he will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity

- interests and all rights in connection therewith that he holds in Shanghai Huikang to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (j) the letter of undertakings dated February 1, 2023 executed by Mr. Wenwei DOU to irrevocably undertake that he will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that he holds in Shanghai Huikang to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (k) the spousal consent letter dated February 1, 2023 executed by Ms. Hongjiang LI, the spouse of Mr. Xuelian YANG, to irrevocably undertake that she waived any rights or entitlements whatsoever to the equity interest that Mr. Xuelian YANG holds in Shanghai Huikang and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (l) the spousal consent letter dated February 1, 2023 executed by Mr. Xiaozhi FENG, the spouse of Ms. Wenjun WANG, to irrevocably undertake that he waived any rights or entitlements whatsoever to the equity interest that Ms. Wenjun WANG holds in Shanghai Huikang and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (m) the spousal consent letter dated February 1, 2023 executed by Ms. Xun QI, the spouse of Mr. Jingkui SHI, to irrevocably undertake that she waived any rights or entitlements whatsoever to the equity interest that Mr. Jingkui SHI holds in Shanghai Huikang and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (n) the spousal consent letter dated February 1, 2023 executed by Ms. Zengjie SUN, the spouse of Mr. Wenwei DOU, to irrevocably undertake that she waived any rights or entitlements whatsoever to the equity interest that Mr. Wenwei DOU holds in Shanghai Huikang and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;

- (o) the exclusive business cooperation agreement dated February 1, 2023 entered into between Weikun (Shanghai) Technology and Shanghai Lufax, pursuant to which Shanghai Lufax agreed to engage Weikun (Shanghai) Technology as its exclusive provider of technical, consulting and other services for consideration of agreed service fees;
- (p) the exclusive equity interest option agreement dated February 1, 2023 entered into among Weikun (Shanghai) Technology, Shanghai Xiongguo, Shanghai Huikang, Shanghai Lufax, the Registered Shareholders and the Individual Shareholders, pursuant to which Weikun (Shanghai) Technology was granted an irrevocable and exclusive option to purchase, or designate one or more persons to purchase, the equity interests in Shanghai Lufax then held by Shanghai Xiongguo and Shanghai Huikang at the prescribed price;
- (q) the exclusive asset option agreement dated February 1, 2023 entered into among Weikun (Shanghai) Technology, Shanghai Xiongguo, Shanghai Huikang, Shanghai Lufax, the Registered Shareholders and the Individual Shareholders, pursuant to which Weikun (Shanghai) Technology was granted an irrevocable and exclusive option to purchase, or designate one or more persons to purchase, the assets then held by Shanghai Lufax at the prescribed price;
- (r) the voting proxy agreement dated February 1, 2023 entered into among Shanghai Xiongguo, Shanghai Huikang, Weikun (Shanghai) Technology, Shanghai Lufax, the Registered Shareholders and the Individual Shareholders, pursuant to which Shanghai Xiongguo and Shanghai Huikang authorized Weikun (Shanghai) Technology and the persons designated by Weikun (Shanghai) Technology to act on their behalf to exercise all of their voting and other rights associated with their shareholder's equity interest in Shanghai Lufax;
- (s) the share pledge agreement dated February 1, 2023 entered into among Weikun (Shanghai) Technology, Shanghai Xiongguo, Shanghai Huikang, Shanghai Lufax, the Registered Shareholders and the Individual Shareholders, pursuant to which Shanghai Xiongguo, Shanghai Huikang and the Individual Shareholders pledged all of the equity interest Shanghai Xiongguo and Shanghai Huikang hold in Shanghai Lufax as security for the fulfillment of any and all obligations of Shanghai Xiongguo, Shanghai Huikang, Shanghai Lufax and the Individual Shareholders under the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement, the exclusive business cooperation agreement and the letters of undertakings of the Individual Shareholders, as well as their respective liabilities arising from any breach;
- (t) the letter of undertakings dated February 1, 2023 executed by Mr. Xuelian YANG to irrevocably undertake that he will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that he holds in Shanghai Lufax to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;

- (u) the letter of undertakings dated February 1, 2023 executed by Ms. Wenjun WANG to irrevocably undertake that she will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that she holds in Shanghai Lufax to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (v) the letter of undertakings dated February 1, 2023 executed by Mr. Jingkui SHI to irrevocably undertake that he will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that he holds in Shanghai Lufax to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (w) the letter of undertakings dated February 1, 2023 executed by Mr. Wenwei DOU to irrevocably undertake that he will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that he holds in Shanghai Lufax to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (x) the spousal consent letter dated February 1, 2023 executed by Ms. Hongjiang LI, the spouse of Mr. Xuelian YANG, to irrevocably undertake that she waived any rights or entitlements whatsoever to the equity interest that Mr. Xuelian YANG holds in Shanghai Lufax and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (y) the spousal consent letter dated February 1, 2023 executed by Mr. Xiaozhi FENG, the spouse of Ms. Wenjun WANG, to irrevocably undertake that he waived any rights or entitlements whatsoever to the equity interest that Ms. Wenjun WANG holds in Shanghai Lufax and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (z) the spousal consent letter dated February 1, 2023 executed by Ms. Xun QI, the spouse of Mr. Jingkui SHI, to irrevocably undertake that she waived any rights or entitlements whatsoever to the equity interest that Mr. Jingkui SHI holds in Shanghai Lufax and will not

- make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (aa) the spousal consent letter dated February 1, 2023 executed by Ms. Zengjie SUN, the spouse of Mr. Wenwei DOU, to irrevocably undertake that she waived any rights or entitlements whatsoever to the equity interest that Mr. Wenwei DOU holds in Shanghai Lufax and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
 - (bb) the exclusive business cooperation agreement dated February 1, 2023 entered into between Weikun (Shanghai) Technology and Shanghai Xiongguo, pursuant to which Shanghai Xiongguo agreed to engage Weikun (Shanghai) Technology as its exclusive provider of technical, consulting and other services for consideration of agreed service fees;
 - (cc) the exclusive equity interest option agreement dated February 1, 2023 entered into among Weikun (Shanghai) Technology, the Registered Shareholders, Shanghai Xiongguo and the Individual Shareholders, pursuant to which Weikun (Shanghai) Technology was granted an irrevocable and exclusive option to purchase, or designate one or more persons to purchase, the equity interests in Shanghai Xiongguo then held by the Registered Shareholders at the prescribed price;
 - (dd) the exclusive asset option agreement dated February 1, 2023 entered into among Weikun (Shanghai) Technology, the Registered Shareholders, Shanghai Xiongguo and the Individual Shareholders, pursuant to which Weikun (Shanghai) Technology was granted an irrevocable and exclusive to purchase, or designate one or more persons to purchase, the assets then held by Shanghai Xiongguo at the prescribed price;
 - (ee) the voting proxy agreement dated February 1, 2023 entered into among Shanghai Xiongguo, Weikun (Shanghai) Technology, the Registered Shareholders and the Individual Shareholders, pursuant to which the Registered Shareholders authorized Weikun (Shanghai) Technology and the persons designated by Weikun (Shanghai) Technology to act on their behalf to exercise all of their voting and other rights associated with their shareholder's equity interest in Shanghai Xiongguo;
 - (ff) the share pledge agreement dated February 1, 2023 entered into among Weikun (Shanghai) Technology, the Registered Shareholders, Shanghai Xiongguo and the Individual Shareholders, pursuant to which the Registered Shareholders and the Individual Shareholders pledged all of the equity interest the Registered Shareholders hold in Shanghai Xiongguo as security for the fulfillment of any and all obligations of the Registered Shareholders, Shanghai Xiongguo and

- the Individual Shareholders under the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement, the exclusive business cooperation agreement and the letters of undertakings of the Individual Shareholders, as well as their respective liabilities arising from any breach;
- (gg) the letter of undertakings dated February 1, 2023 executed by Mr. Xuelian YANG to irrevocably undertake that he will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that he holds in Shanghai Xiongguo to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (hh) the letter of undertakings dated February 1, 2023 executed by Ms. Wenjun WANG to irrevocably undertake that she will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that she holds in Shanghai Xiongguo to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (ii) the letter of undertakings dated February 1, 2023 executed by Mr. Jingkui SHI to irrevocably undertake that he will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that he holds in Shanghai Xiongguo to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (jj) the letter of undertakings dated February 1, 2023 executed by Mr. Wenwei DOU to irrevocably undertake that he will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that he holds in Shanghai Xiongguo to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (kk) the spousal consent letter dated February 1, 2023 executed by Ms. Hongjiang LI, the spouse of Mr. Xuelian YANG, to irrevocably undertake that she waived any rights or entitlements whatsoever to the equity interest that Mr. Xuelian YANG holds in Shanghai Xiongguo and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;

- (ll) the spousal consent letter dated February 1, 2023 executed by Mr. Xiaozhi FENG, the spouse of Ms. Wenjun WANG, to irrevocably undertake that he waived any rights or entitlements whatsoever to the equity interest that Ms. Wenjun WANG holds in Shanghai Xiongguo and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (mm) the spousal consent letter dated February 1, 2023 executed by Ms. Xun QI, the spouse of Mr. Jingkui SHI, to irrevocably undertake that she waived any rights or entitlements whatsoever to the equity interest that Mr. Jingkui SHI holds in Shanghai Xiongguo and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (nn) the spousal consent letter dated February 1, 2023 executed by Ms. Zengjie SUN, the spouse of Mr. Wenwei DOU, to irrevocably undertake that she waived any rights or entitlements whatsoever to the equity interest that Mr. Wenwei DOU holds in Shanghai Xiongguo and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (oo) the exclusive business cooperation agreement dated February 1, 2023 entered into between Weikun (Shanghai) Technology and XSBN Mercantile, pursuant to which XSBN Mercantile agreed to engage Weikun (Shanghai) Technology as its exclusive provider of technical, consulting and other services for consideration of agreed service fees;
- (pp) the exclusive equity interest option agreement dated February 1, 2023 entered into among Weikun (Shanghai) Technology, Shanghai Xiongguo, Shanghai Huikang, XSBN Mercantile, the Registered Shareholders and the Individual Shareholders, pursuant to which Weikun (Shanghai) Technology was granted an irrevocable and exclusive option to purchase, or designate one or more persons to purchase, the equity interests in XSBN Mercantile then held by Shanghai Xiongguo and Shanghai Huikang at the prescribed price;
- (qq) the exclusive asset option agreement dated February 1, 2023 entered into among Weikun (Shanghai) Technology, Shanghai Xiongguo, Shanghai Huikang, XSBN Mercantile, the Registered Shareholders and the Individual Shareholders, pursuant to which Weikun (Shanghai) Technology was granted an irrevocable and exclusive option to purchase, or designate one or more persons to purchase, the assets then held by XSBN Mercantile at the prescribed price;

- (rr) the voting proxy agreement dated February 1, 2023 entered into among Shanghai Xionguo, Shanghai Huikang, Weikun (Shanghai) Technology, XSBN Mercantile, the Registered Shareholders and the Individual Shareholders, pursuant to which Shanghai Xionguo and Shanghai Huikang authorized Weikun (Shanghai) Technology and the persons designated by Weikun (Shanghai) Technology to act on their behalf to exercise all of their voting and other rights associated with their shareholder's equity interest in XSBN Mercantile;
- (ss) the share pledge agreement dated February 1, 2023 entered into among Weikun (Shanghai) Technology, Shanghai Xionguo, Shanghai Huikang, XSBN Mercantile, the Registered Shareholders and the Individual Shareholders, pursuant to which the Registered Shareholders and the Individual Shareholders pledged all of the equity interest Shanghai Xionguo and Shanghai Huikang hold in XSBN Mercantile as security for the fulfillment of any and all obligations of Shanghai Xionguo, Shanghai Huikang, XSBN Mercantile and the Individual Shareholders under the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement, the exclusive business cooperation agreement and the letters of undertakings of the Individual Shareholders, as well as their respective liabilities arising from any breach;
- (tt) the letter of undertakings dated February 1, 2023 executed by Mr. Xuelian YANG to irrevocably undertake that he will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that he holds in XSBN Mercantile to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (uu) the letter of undertakings dated February 1, 2023 executed by Ms. Wenjun WANG to irrevocably undertake that she will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that she holds in XSBN Mercantile to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (vv) the letter of undertakings dated February 1, 2023 executed by Mr. Jingkui SHI to irrevocably undertake that he will observe the obligations under the exclusive business cooperation agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that he holds in XSBN Mercantile to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (ww) the letter of undertakings dated February 1, 2023 executed by Mr. Wenwei DOU to irrevocably undertake that he will observe the obligations under the exclusive business cooperation

- agreement, the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement or transfer all equity interests and all rights in connection therewith that he holds in XSBN Mercantile to Weikun (Shanghai) Technology or its designated person in the event of death, accident, divorce or others;
- (xx) the spousal consent letter dated February 1, 2023 executed by Ms. Hongjiang LI, the spouse of Mr. Xuelian YANG, to irrevocably undertake that she waived any rights or entitlements whatsoever to the equity interest that Mr. Xuelian YANG holds in XSBN Mercantile and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (yy) the spousal consent letter dated February 1, 2023 executed by Mr. Xiaozhi FENG, the spouse of Ms. Wenjun WANG, to irrevocably undertake that he waived any rights or entitlements whatsoever to the equity interest that Ms. Wenjun WANG holds in XSBN Mercantile and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (zz) the spousal consent letter dated February 1, 2023 executed by Ms. Xun QI, the spouse of Mr. Jingkui SHI, to irrevocably undertake that she waived any rights or entitlements whatsoever to the equity interest that Mr. Jingkui SHI holds in XSBN Mercantile and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (aaa) the spousal consent letter dated February 1, 2023 executed by Ms. Zengjie SUN, the spouse of Mr. Wenwei DOU, to irrevocably undertake that she waived any rights or entitlements whatsoever to the equity interest that Mr. Wenwei DOU holds in XSBN Mercantile and will not make any assertion of rights to such equity interest. The spouse agrees and undertakes not to take any actions contrary to proper performance of the contractual arrangements, including the exclusive equity interest option agreement, the exclusive asset option agreement, the voting proxy agreement and the share pledge agreement;
- (bbb) the amendment and supplemental agreement to the share purchase agreement and the convertible promissory notes dated August 20, 2021 entered into among the Company, Ping An Overseas Holdings and An Ke Technology;

(ccc) the amendment and supplemental agreement to the share purchase agreement and the convertible promissory notes dated December 6, 2022 entered into among the Company, Ping An Overseas Holdings and An Ke Technology; and

(ddd) the sponsors agreement dated April 11, 2023 entered into among the Company, J.P. Morgan Securities (Far East) Limited, Morgan Stanley Asia Limited and UBS Securities Hong Kong Limited relating to the engagement of the Joint Sponsors by the Company in connection with the Listing.

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks that we consider to be or may be material to our business:

No.	Registration Number	Trademark	Class	Name of Registered Proprietor	Place of Registration	Expiry Date
1.	55414851	陆慧融	35	Ping An Puhui Enterprises Management	PRC	February 27, 2032
2.	61599376	陆慧融易贷	35	Ping An Puhui Enterprises Management	PRC	June 20, 2032
3.	61607726	陆慧融微营贷	35	Ping An Puhui Enterprises Management	PRC	June 20, 2032
4.	55428595	陆慧融	9	Ping An Puhui Enterprises Management	PRC	February 27, 2032
5.	61604509	陆慧融易贷	9	Ping An Puhui Enterprises Management	PRC	August 20, 2032
6.	61595409	陆慧融宅e贷	38	Ping An Puhui Enterprises Management	PRC	June 20, 2032
7.	61608768	陆慧融易贷	38	Ping An Puhui Enterprises Management	PRC	June 20, 2032
8.	61599388	陆慧融车e贷	36	Ping An Puhui Enterprises Management	PRC	June 20, 2032
9.	61599391	陆慧融易贷	36	Ping An Puhui Enterprises Management	PRC	June 20, 2032
10.	61625074	陆慧融宅e贷	36	Ping An Puhui Enterprises Management	PRC	June 20, 2032

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Registration Number	Trademark	Class	Name of Registered Proprietor	Place of Registration	Expiry Date
11.	55444219	陆慧融	36	Ping An Puhui Enterprises Management	PRC	March 20, 2032
12.	61616291	陆慧融易贷	42	Ping An Puhui Enterprises Management	PRC	June 20, 2032
13.	61607729	陆慧融宅e贷	35	Ping An Puhui Enterprises Management	PRC	June 20, 2032
14.	61604530	陆慧融车e贷	35	Ping An Puhui Enterprises Management	PRC	June 20, 2032
15.	61611414	陆慧融车e贷	38	Ping An Puhui Enterprises Management	PRC	June 20, 2032
16.	55414839	陆慧融	38	Ping An Puhui Enterprises Management	PRC	March 13, 2032
17.	61602796	陆慧融微营贷	38	Ping An Puhui Enterprises Management	PRC	June 20, 2032
18.	61597036	陆慧融微营贷	36	Ping An Puhui Enterprises Management	PRC	June 20, 2032
19.	62295267	陆慧融微账房	9	Ping An Puhui Enterprises Management	PRC	October 6, 2032
20.	61611228	陆慧融宅e贷	9	Ping An Puhui Enterprises Management	PRC	August 27, 2032
21.	61619464	陆慧融微营贷	9	Ping An Puhui Enterprises Management	PRC	August 27, 2032
22.	61599371	陆慧融车e贷	9	Ping An Puhui Enterprises Management	PRC	August 27, 2032
23.	55426382	陆慧融	42	Ping An Puhui Enterprises Management	PRC	February 6, 2032
24.	47145085	LUFAX HOLDING	36	Shanghai Lufax	PRC	February 20, 2031
25.	47122390	陆金所控股	36	Shanghai Lufax	PRC	March 13, 2031
26.	48092155	陆金通	35	Shanghai Lufax	PRC	March 27, 2031
27.	10828154	陆金所	36	Shanghai Lufax	PRC	July 20, 2023
28.	12889754	陆金所	35	Shanghai Lufax	PRC	October 27, 2024

No.	Registration Number	Trademark	Class	Name of Registered Proprietor	Place of Registration	Expiry Date
29.	10828229	陆金所	36	Shanghai Lufax	PRC	August 6, 2023
30.	48113299	陆金通	9	Shanghai Lufax	PRC	April 6, 2031
31.	47129627	LUFAX HOLDING	35	Shanghai Lufax	PRC	February 20, 2031
32.	48096175	陆金通	42	Shanghai Lufax	PRC	April 6, 2031
33.	60704850	陆金所	35	Shanghai Lufax	PRC	May 20, 2032
34.	60686914	陆金所	36	Shanghai Lufax	PRC	May 27, 2032
35.	60686951	陆金所	36	Shanghai Lufax	PRC	June 6, 2032
36.	60688501	陆金时贷	36	Shanghai Lufax	PRC	June 6, 2032
37.	1548347	LUFAX HOLDING	9, 35, 36, 42	Shanghai Lufax	WIPO	June 28, 2030
38.	1548368	陆金所控股	9, 35, 36, 42	Shanghai Lufax	WIPO	June 28, 2030
39.	304440906	A LUFAX HOLDING B LUFAX HOLDING	35, 36	Lufax Holding Ltd	Hong Kong	February 25, 2028
40.	305296113	LUFAX HOLDING	9, 42	Lufax Holding Ltd	Hong Kong	June 4, 2030
41.	304033403	A Lufax Holding B LUFAX HOLDING	35, 36	Lufax Holding Ltd	Hong Kong	January 25, 2027
42.	304440915	A LUFAX B LUFAX C LUFAX D LUFAX	35, 36	Lufax Holding Ltd	Hong Kong	February 25, 2028
43.	305296087	陆金所控股	9, 35, 36, 42	Lufax Holding Ltd	Hong Kong	June 4, 2030
44.	40201806267R	陆金所控股 LUFAX	36	Lufax Holding Ltd	Singapore	April 5, 2028
45.	40201806257W	陆金所控股 LUFAX	36	Lufax Holding Ltd	Singapore	April 5, 2028
46.	40201806255S	陆金所控股 LUFAX	35	Lufax Holding Ltd	Singapore	April 5, 2028
47.	40201806261T	陆金所控股 LUFAX	35	Lufax Holding Ltd	Singapore	April 5, 2028
48.	40201806254T	LUFAX HOLDING	36	Lufax Holding Ltd	Singapore	April 5, 2028
49.	40201806253Q	LUFAX HOLDING	35	Lufax Holding Ltd	Singapore	April 5, 2028
50.	40201710745R	LUFAX HOLDING	35, 36	Lufax Holding Ltd	Singapore	June 8, 2027
51.	40201710687P	lufax holding	35, 36	Lufax Holding Ltd	Singapore	June 8, 2027

(b) Patents

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

<u>No.</u>	<u>Patent/Registration Number</u>	<u>Name of Patent</u>	<u>Type of Patent</u>	<u>Patent Owner</u>	<u>Date of Application</u>
1.	2021110143872	Method, device, electronic equipment and storage medium for service quality evaluation (服務質量的評價方法、裝置、電子設備以及存儲介質)	Invention	Ping An Puhui Enterprises Management	August 31, 2021
2.	2021110130054	Method, device, computer equipment and storage medium for network intrusion detection (網絡入侵檢測方法、裝置、計算機設備以及存儲介質)	Invention	Ping An Puhui Enterprises Management	August 31, 2021
3.	2021109517066	Convergence method, device, computer equipment and storage medium for short URL request (短鏈請求收斂方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	August 17, 2021
4.	2021111135271	A method, device, equipment and storage medium of outbound calling using human-machine cooperation (一種人機協作的外呼方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	September 22, 2021
5.	2021109487554	Mobile terminal TCP communication, device, equipment and storage medium (移動終端TCP通信、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	August 18, 2021
6.	2021110920946	Mobile client domain name filtering method, device, electronic equipment and storage medium (移動客戶端域名過濾方法、裝置、電子設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	September 17, 2021

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
7.	2021109546764	Method, device, equipment and storage medium for content distribution network service scheduling (內容分發網絡服務的調度方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	August 19, 2021
8.	2021109163004	A method, device, user terminal and storage medium of application login (一種應用登錄方法、裝置、用戶終端及存儲介質)	Invention	Ping An Puhui Enterprises Management	August 10, 2021
9.	2021107258334	Video search method, device, computer equipment and storage medium (視頻搜索方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	June 29, 2021
10.	2021107290467	Monitoring method, device, equipment and storage medium for the operation status of Internet system (互聯網系統的運行狀態監控方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	June 29, 2021
11.	2021107328182	Login-free method, system, equipment and computer-readable storage medium (賬號免登錄方法、系統、設備及計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	June 29, 2021
12.	2021107321361	A method, device, equipment and storage medium of text similarity calculation (一種文本的相似度計算的方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	June 30, 2021
13.	2021107314635	Method, device, equipment and storage medium for automatic feedback of user working status (用戶工作狀態自動反饋方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	June 29, 2021
14.	2021107353305	Email-based relational topology analysis method, device, terminal equipment and medium (基於郵件的關係拓撲分析方法、裝置、終端設備及介質)	Invention	Ping An Puhui Enterprises Management	June 30, 2021

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
15.	2021107286936	Method, device, computer equipment and storage medium of H5 page loading (H5頁面加載方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	June 29, 2021
16.	2021106939278	Method, device, computer equipment and storage medium for setting resolution (設置分辨率的方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	June 22, 2021
17.	2021105750339	Method, device, equipment and storage medium for the fusing of user-reaching data (用戶觸達類數據的熔斷方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	May 26, 2021
18.	2021105678196	A monitoring method based on serverless platform, and its device, equipment and storage medium (一種基於無服務器平台的監控方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	May 24, 2021
19.	202110566381X	An application update method, device, medium and equipment (一種軟件更新方法、裝置、介質及設備)	Invention	Ping An Puhui Enterprises Management	May 24, 2021
20.	2021105751327	Method, device, computer equipment and medium for client offline loading of H5 page (客戶端離線化H5頁面加載方法、裝置、計算機設備及介質)	Invention	Ping An Puhui Enterprises Management	May 26, 2021
21.	202110567667X	Method, device and relevant equipment for the dynamic configuration of base domain (基礎域名的動態配置方法、裝置及相關設備)	Invention	Ping An Puhui Enterprises Management	May 24, 2021
22.	2021108528152	Redial processing method, device, electronic equipment and storage medium (重撥處理方法、裝置、電子設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	July 27, 2021

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
23.	2021104607494	Workload evaluation method, device, computer equipment and storage medium (工作量評估方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	April 27, 2021
24.	2021104823281	Interface repetition prevention method, device, equipment and storage medium (接口防重處理方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	April 30, 2021
25.	2021102921400	List view-based data loading method, device, equipment and medium (基於列表視圖的數據加載方法、裝置、設備及介質)	Invention	Ping An Puhui Enterprises Management	March 18, 2021
26.	2021103028259	Video streaming method, device, equipment and medium (視頻直播方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	March 22, 2021
27.	2021102152776	Form single-item switching method, device, equipment and storage medium (表單項切換方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	February 25, 2021
28.	2020115996330	Data transmission method and relevant equipment (數據傳輸方法及相關設備)	Invention	Ping An Puhui Enterprises Management	December 29, 2020
29.	2021102850829	Contract template data import method, device, equipment and storage medium (合同模板數據的導入方法、裝置、設備以及存儲介質)	Invention	Ping An Puhui Enterprises Management	March 17, 2021
30.	2021100879201	Online interaction method, device, electronic equipment and storage medium (在線互動方法、裝置、電子設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	January 22, 2021
31.	2020115451447	Method, device and computer equipment of blockchain-based virtual number activation (基於區塊鏈的虛擬號碼激活方法、裝置以及計算機設備)	Invention	Ping An Puhui Enterprises Management	December 23, 2020

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
32.	2020113104979	Audio quality testing method, device, computer equipment and storage medium (語音質量檢測方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	November 20, 2020
33.	202011609512X	File download control method, device, computer equipment and storage medium (文件下載控制方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	December 30, 2020
34.	2021102189041	Text semantic recognition method, device, computer equipment and storage medium (文本語義識別方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	February 26, 2021
35.	2020113029501	Image compression recovery method, device, equipment and medium based on wavelet transform (基於小波變換的圖像壓縮恢復方法、裝置、設備和介質)	Invention	Ping An Puhui Enterprises Management	November 19, 2020
36.	202110214822X	Complaint categorization method and its relevant equipment based on multimodal data (基於多模態數據的投訴分類方法及其相關設備)	Invention	Ping An Puhui Enterprises Management	February 25, 2021
37.	2021102203087	Voice call- based behavior quality inspection method, device, equipment and storage medium (基於語音通話的行為質檢方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	February 26, 2021
38.	2020116095187	SMS sending method, device, storage medium and computer equipment (短信發送方法、裝置、存儲介質和計算機設備)	Invention	Ping An Puhui Enterprises Management	December 30, 2020
39.	2021102189376	A service cluster unit grouping method, device, equipment and medium (一種服務集群單元化分組方法、裝置、設備以及介質)	Invention	Ping An Puhui Enterprises Management	February 26, 2021

<u>No.</u>	<u>Patent/Registration Number</u>	<u>Name of Patent</u>	<u>Type of Patent</u>	<u>Patent Owner</u>	<u>Date of Application</u>
40.	2021104306637	Method, device, computer equipment and storage medium for configuring business services (配置業務服務的方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	April 21, 2021
41.	2020115451729	Call processing method, device, computer equipment and storage medium (通話處理方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	December 23, 2020
42.	2020113141840	Quality evaluation method, device, equipment and storage medium applying to telephone customer service (應用於電話客服的質量評價方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	November 20, 2020
43.	2020114502916	User verification method, device, electronic equipment and medium (驗證用戶的方法、裝置、電子設備及介質)	Invention	Ping An Puhui Enterprises Management	December 11, 2020
44.	2020113487800	User authentication method, device, electronic equipment and medium (用戶鑒權的方法、裝置、電子設備及介質)	Invention	Ping An Puhui Enterprises Management	November 26, 2020
45.	2020114806856	Method, device, electronic equipment and medium to communicate with user (與用戶通信的方法、裝置、電子設備及介質)	Invention	Ping An Puhui Enterprises Management	December 15, 2020
46.	2021102190886	Interface testing method, device, computer equipment and storage medium (接口測試方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	February 26, 2021
47.	2020112461926	Method, device, and computer equipment for negative feedback training of network risk detection model (網絡風險檢測模型負反饋訓練方法、裝置及計算機設備)	Invention	Ping An Puhui Enterprises Management	November 10, 2020

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
48.	2020112843916	Page access method, device, equipment and storage medium (頁面訪問方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	November 17, 2020
49.	2020113531269	Distributed file import method, device, equipment and storage medium (分佈式文件導入方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	November 27, 2020
50.	2021102874664	Terminal communication management method, device, computer equipment and readable storage medium (終端通信管理方法、裝置、計算機設備及可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	March 17, 2021
51.	2021104505749	Code testing method, device, electronic equipment and storage medium based on Mock data (基於Mock數據的代碼測試方法、裝置、電子設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	April 25, 2021
52.	2020113480816	Response method, device, terminal equipment and storage medium for request problems (需求問題回復方法、裝置、終端設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	November 26, 2020
53.	2020113067363	Case handling method, device, medium and electronic equipment (案件處理方法、裝置、介質及電子設備)	Invention	Ping An Puhui Enterprises Management	November 19, 2020
54.	2020113434057	Video call method, device, equipment and computer-readable storage medium (視頻通話方法、裝置、設備及計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	November 25, 2020
55.	2020113621208	Cluster call method, device, electronic equipment and storage medium (集群調用方法、裝置、電子設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	November 27, 2020

<u>No.</u>	<u>Patent/Registration Number</u>	<u>Name of Patent</u>	<u>Type of Patent</u>	<u>Patent Owner</u>	<u>Date of Application</u>
56.	2020112495532	Firewall verification method, device, computer equipment and storage medium (防火牆驗證方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	November 10, 2020
57.	2020114932990	A network protection method, device, terminal and storage medium (一種網絡防護的方法、裝置、終端及存儲介質)	Invention	Ping An Puhui Enterprises Management	December 16, 2020
58.	2020112553684	A data transmission method, device, computer equipment and storage medium (一種數據傳輸方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	November 11, 2020
59.	2020112477799	Method, device and computer equipment for detection of Pass-the-Hash attacks (哈希傳遞攻擊行為的檢測方法、裝置和計算機設備)	Invention	Ping An Puhui Enterprises Management	November 10, 2020
60.	2021102055206	Database data backup method, device and computer equipment (數據庫數據備份方法、裝置及計算機設備)	Invention	Ping An Puhui Enterprises Management	February 24, 2021
61.	202011263253X	An audio-file optimization method, device, computer equipment and storage medium (一種音頻文件優化方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	November 12, 2020
62.	2020115584326	Video transmission, playback method, device, computer equipment and storage medium (視頻傳輸、播放方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	December 25, 2020
63.	2020112074213	Distributed automatic testing management method, device, equipment and storage medium (分佈式自動化測試管理方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	November 3, 2020

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
64.	202011344442X	An authorization processing method, device and computer equipment for SMS verification codes (一種短信驗證碼的權限處理方法、裝置和計算機設備)	Invention	Ping An Puhui Enterprises Management	November 25, 2020
65.	2020116149219	Data traffic access control method, device, electronic equipment and storage medium (流量訪問控制方法、裝置、電子設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	December 30, 2020
66.	2020112079077	Data communication method, device, equipment and storage medium (數據通信方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	November 3, 2020
67.	2020110344133	Method, device, equipment and computer-readable storage medium for the Read/Write of data remotely (遠端數據讀寫方法、裝置、設備及計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	September 27, 2020
68.	2020104570974	Task processing method within a distributed task management system and relevant device (分佈式任務調度系統中任務處理方法及相關裝置)	Invention	Ping An Puhui Enterprises Management	May 26, 2020
69.	2020106014855	Dialogue processing method, device, computer equipment and storage medium for human-computer interaction (人機交互對話處理方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	June 28, 2020
70.	2020107187546	Recording method and relevant equipment for page-tracking (頁面軌跡記錄方法及相關設備)	Invention	Ping An Puhui Enterprises Management	July 23, 2020
71.	2020107199401	Resource update method and relevant equipment (資源更新方法及相關設備)	Invention	Ping An Puhui Enterprises Management	July 23, 2020

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
72.	2020105959602	Business log-based business processing method, device and computer equipment (基於業務日誌處理業務的方法、裝置、計算機設備)	Invention	Ping An Puhui Enterprises Management	June 23, 2020
73.	2020106006365	Secret key-based authority management method, device, medium and electronic equipment (基於密鑰的權限管理方法、裝置、介質及電子設備)	Invention	Ping An Puhui Enterprises Management	June 28, 2020
74.	2020106239844	Business request processing method, device, storage medium and electronic equipment (處理業務請求的方法及裝置、存儲介質、電子設備)	Invention	Ping An Puhui Enterprises Management	June 30, 2020
75.	2020107199204	Page data verification method, device, electronic equipment and storage medium (頁面數據校驗方法、裝置、電子設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	July 23, 2020
76.	202011279942X	Intelligent voice call method, device, equipment and storage medium (智能語音呼叫方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	November 16, 2020
77.	2020102269766	Processing method, device, medium and electronic equipment for abnormal tasks (異常任務的處理方法、裝置、介質及電子設備)	Invention	Ping An Puhui Enterprises Management	March 26, 2020
78.	2020103429724	Document editing method, device, electronic equipment and medium (文檔修改方法、裝置、電子設備及介質)	Invention	Ping An Puhui Enterprises Management	April 27, 2020
79.	2018115333138	Project deployment method, device, computer equipment and storage medium (項目部署方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	December 14, 2018

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
80.	2018115316452	Method, device, computer equipment and storage medium for reducing server congestion (減少服務器阻塞方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	December 14, 2018
81.	2019102039831	A method and device for testing code handover control (一種測試代碼移交控制方法及裝置)	Invention	Ping An Puhui Enterprises Management	March 18, 2019
82.	2019101850148	Application testing method and device (軟件測試方法及裝置)	Invention	Ping An Puhui Enterprises Management	March 12, 2019
83.	2019104189246	Log printing method, system, computer equipment and computer-readable storage medium (日誌打印方法、系統、計算機設備及計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	May 20, 2019
84.	2019103038323	Node testing method and device based on interface prediction model (基於接口預測模型的節點測試方法及裝置)	Invention	Ping An Puhui Enterprises Management	April 16, 2019
85.	2019103178263	Database testing method, device and computer equipment (數據庫測試方法、裝置及計算機設備)	Invention	Ping An Puhui Enterprises Management	April 19, 2019
86.	2019104504306	An automatic data processing method, device, electronic equipment and storage medium (一種數據自動化處理方法、裝置、電子設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	May 28, 2019
87.	2019102960041	User behavior-based Intelligent reminder method, device, terminal and storage medium (基於用戶行為的智能提示方法、裝置、終端及存儲介質)	Invention	Ping An Puhui Enterprises Management	April 12, 2019

<u>No.</u>	<u>Patent/Registration Number</u>	<u>Name of Patent</u>	<u>Type of Patent</u>	<u>Patent Owner</u>	<u>Date of Application</u>
88.	2019105361507	Method and relevant device for monitoring webpage status based on heartbeat mechanism (基於心跳機制的網頁狀態監聽方法及相關設備)	Invention	Ping An Puhui Enterprises Management	June 20, 2019
89.	2019105360330	Method, device, computer equipment and storage medium for monitoring webpage crash (網頁崩潰監聽方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	June 20, 2019
90.	2019107478356	Method, device, computer equipment and storage medium for data transmission optimization (數據傳輸優化方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	August 14, 2019
91.	2019105418204	Performance data collection method, device, equipment and storage medium (性能數據採集方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	June 19, 2019
92.	2019106340300	A method, device and storage medium for front-end visual configuration using Vue (一種前端Vue頁面可視化配置的方法、裝置及存儲介質)	Invention	Ping An Puhui Enterprises Management	July 15, 2019
93.	2019105207133	Method, device, readable storage medium and procedure product for monitoring of the system integration environment (系統集成環境監控方法、裝置、可讀存儲介質和程序產品)	Invention	Ping An Puhui Enterprises Management	June 17, 2019
94.	2019105352885	Method, device, computer equipment and storage medium for processing digital certificates (數字證書處理方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	June 20, 2019
95.	2019105337160	Control method and relevant device for page data transmission (頁面數據傳輸的控制方法和相關設備)	Invention	Ping An Puhui Enterprises Management	June 19, 2019

<u>No.</u>	<u>Patent/Registration Number</u>	<u>Name of Patent</u>	<u>Type of Patent</u>	<u>Patent Owner</u>	<u>Date of Application</u>
96.	2019108172916	Method, device, medium and electronic equipment for testing environment synchronization (測試環境同步方法、裝置、介質、電子設備)	Invention	Ping An Puhui Enterprises Management	August 30, 2019
97.	2019106316176	Method, device, storage medium and electronic equipment for monitoring distributed systems (用於分佈式系統的監控方法、裝置、存儲介質及電子設備)	Invention	Ping An Puhui Enterprises Management	July 12, 2019
98.	201910529216X	Data transmission control method, device, electronic equipment and storage medium (數據傳輸控制方法、裝置、電子設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	June 19, 2019
99.	2019107632081	Product promotion method and relevant device based on information security (基於信息安全的產品推廣方法及相關設備)	Invention	Ping An Puhui Enterprises Management	August 15, 2019
100.	2019104404685	Method, device and computer equipment for monitoring of sensitive information in log files (日誌文件的敏感字段監測方法、裝置和計算機設備)	Invention	Ping An Puhui Enterprises Management	May 24, 2019
101.	2019109851473	Multi-server control method and device (多服務器控制方法及裝置)	Invention	Ping An Puhui Enterprises Management	October 16, 2019
102.	2019105328922	Method, device, storage medium and electronic device for monitoring abnormal operations of mobile applications (移動應用異常操作監測方法、裝置、存儲介質及電子設備)	Invention	Ping An Puhui Enterprises Management	June 19, 2019
103.	2019107503536	File download control method and device (文件下載控制方法及裝置)	Invention	Ping An Puhui Enterprises Management	August 14, 2019

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
104.	2019108406641	A method, device, storage medium and server for enhancing server performance (一種提升服務器性能的方法、裝置、存儲介質和服務器)	Invention	Ping An Puhui Enterprises Management	September 6, 2019
105.	2019106339515	Data analytics-based method and relevant device for voice call user categorization (基於數據分析的語音撥叫用戶分類方法及相關設備)	Invention	Ping An Puhui Enterprises Management	July 15, 2019
106.	2019106295894	Method, device, computer-readable storage medium and computer equipment for data processing (數據處理方法、裝置、計算機可讀存儲介質和計算機設備)	Invention	Ping An Puhui Enterprises Management	July 12, 2019
107.	2019107484041	Method, device, computer equipment and storage medium for processing of routing configuration information (路由配置信息處理方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	August 14, 2019
108.	2019107673734	A method and server for location processing of proxy forwarding requests (一種代理轉發請求的定位處理方法及服務器)	Invention	Ping An Puhui Enterprises Management	August 15, 2019
109.	2019107676304	Performance testing method and relevant equipment (性能測試方法及相關設備)	Invention	Ping An Puhui Enterprises Management	August 15, 2019
110.	2019109615894	An interface information sorting method, equipment and server (一種端口信息梳理方法、設備及服務器)	Invention	Ping An Puhui Enterprises Management	October 10, 2019
111.	2019107516856	Troubleshooting method, device, electronic equipment and computer-readable storage medium (故障處理方法、裝置、電子設備及計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	August 15, 2019

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
112.	2019107516470	Information output method, device, management equipment and computer-readable storage medium (信息輸出方法、裝置、管理設備及計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	August 15, 2019
113.	2019108492755	Token-based identity verification method and relevant equipment (基於TOKEN令牌的身份校驗方法及相關設備)	Invention	Ping An Puhui Enterprises Management	September 9, 2019
114.	2019107516324	Troubleshooting method, device, system server and computer-readable storage medium (故障處理方法、裝置、系統服務器及計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	August 15, 2019
115.	2019108407019	An application testing method, device, storage medium and server (一種應用程序測試方法、裝置、存儲介質和服務器)	Invention	Ping An Puhui Enterprises Management	September 6, 2019
116.	2019108548568	Method, device, storage medium and electronic equipment for monitoring application server performance (應用服務器性能監測方法、裝置、存儲介質及電子設備)	Invention	Ping An Puhui Enterprises Management	September 10, 2019
117.	2019108548394	Method, device, medium and electronic device for data access authorization in distributed network (分佈式網絡中數據授權訪問方法、裝置、介質及電子設備)	Invention	Ping An Puhui Enterprises Management	September 10, 2019
118.	2019109691756	Method, device, computer equipment and storage medium for acquisition of interface service (接口服務獲取方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	October 12, 2019
119.	201710503083X	Scenario testing method and mobile terminal (場景測試方法及移動終端)	Invention	Ping An Puhui Enterprises Management	June 27, 2017

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120.	2017109157952	Provisions top-up method, device, equipment and computer-readable storage medium (備付金充值方法、裝置、設備及計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	September 28, 2017
121.	2017109032618	Reconciliation method, device, equipment and computer-readable storage medium (對賬方法、裝置、設備及計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	September 28, 2017
122.	2018100636941	Intelligent user interface layout method, device, terminal equipment and storage medium (智能UI界面佈局方法、裝置、終端設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	January 23, 2018
123.	2018101243333	Problem matching method, device, customer service machine and storage medium (問題匹配方法、裝置、客服機器人和存儲介質)	Invention	Ping An Puhui Enterprises Management	February 7, 2018
124.	2018101237370	Document template generation method, device, computer equipment and storage medium (單據模板生成方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	February 7, 2018
125.	2018104293283	Switch control method, device, equipment and computer-readable storage medium (開關控制方法、裝置、設備和計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	May 7, 2018
126.	2018104345273	Method, device, equipment and storage medium for recording of troubleshooting information (故障信息記錄方法、裝置、設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	May 8, 2018
127.	2018104785127	Method monitoring server and storage medium for monitoring abnormal users of application software (應用軟件的異常用戶偵測方法、監控服務端及存儲介質)	Invention	Ping An Puhui Enterprises Management	May 18, 2018

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
128.	2018102501648	Method, device, equipment and storage medium for information processing based on real-time communication (基於即時通訊的信息處理方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	March 26, 2018
129.	2018103354063	An application request processing method, device and router (一種應用請求的處理方法、裝置和路由器)	Invention	Ping An Puhui Enterprises Management	April 12, 2018
130.	2018101595169	Plug-in compilation method, device, computer equipment and storage medium (插件編譯方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	February 26, 2018
131.	2018101594113	Notification display method, device, computer equipment and storage medium (通知消息顯示方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	February 26, 2018
132.	2018101862634	Method, device, computer equipment and storage medium for monitoring of running of application (應用程序運行監控方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	March 7, 2018
133.	2018101707713	A resource configuration method, computer-readable storage medium and terminal equipment (一種資源配置方法、計算機可讀存儲介質及終端設備)	Invention	Ping An Puhui Enterprises Management	March 1, 2018
134.	2018101793704	Contract generation method, device, computer equipment and storage medium (合同生成方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	March 5, 2018
135.	2018103066579	Operation monitoring method, device, computer equipment and storage medium (操作監控方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	April 8, 2018

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
136.	2018102365554	Contact list update method, device and computer equipment and storage medium (通訊錄更新方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	March 21, 2018
137.	2018103095105	Data reporting method and terminal equipment (數據上報方法及終端設備)	Invention	Ping An Puhui Enterprises Management	April 9, 2018
138.	2018104311135	Method, device, equipment and computer storage medium for the management of testing terminal (測試終端的管理方法、裝置、設備和計算機存儲介質)	Invention	Ping An Puhui Enterprises Management	May 7, 2018
139.	2018103446830	Method, device, computer equipment and storage medium for role permission update (角色權限更新方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	April 17, 2018
140.	2018104274352	Method, device, computer equipment and storage medium for Mock service management (Mock服務管理方法、裝置、計算機設備以及存儲介質)	Invention	Ping An Puhui Enterprises Management	May 7, 2018
141.	2018105114011	Method, device, equipment and computer storage medium for loading of network data (網絡數據的加載方法、裝置、設備和計算機存儲介質)	Invention	Ping An Puhui Enterprises Management	May 24, 2018
142.	201810951423X	Method, device, storage medium and equipment for information push based on consumption tracking (基於消費追蹤的信息推送方法、設備、存儲介質及裝置)	Invention	Ping An Puhui Enterprises Management	August 20, 2018
143.	2018109208179	Method and terminal equipment for code control based on log monitoring technology (基於日誌監控技術的代碼管控方法及終端設備)	Invention	Ping An Puhui Enterprises Management	August 14, 2018

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
144.	2018111228645	Evaluating method, evaluation equipment and storage medium for user position and portrait for financial services (金融業務的用戶位置畫像評估方法、評估設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	September 26, 2018
145.	2018109483602	Method, device, computer equipment and storage medium for log generation (日誌的生成方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	August 20, 2018
146.	2018111294806	Service request processing method, device, computer equipment and storage medium (服務請求處理方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	September 27, 2018
147.	2018110259171	Interface parament decryption method, device, computer equipment and storage medium (接口參數解密方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	September 4, 2018
148.	2018111152449	A method, system and terminal equipment for early warning of high server load (一種服務器壓力預警方法、系統及終端設備)	Invention	Ping An Puhui Enterprises Management	September 25, 2018
149.	2018111294810	Test terminal management method and system (測試終端管理方法及系統)	Invention	Ping An Puhui Enterprises Management	September 27, 2018
150.	2018111242572	Login credentials management method, device, computer equipment and storage medium (登錄憑證的管理方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	September 26, 2018
151.	2018112245370	Method, device, equipment and storage medium of technical support for the sales application (銷售 APP 中的技術支持方法、裝置、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	October 19, 2018

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152.	2018111208694	Method, device, computer equipment and storage medium for monitoring abnormalities (異常監控方法、設備、裝置及計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	September 25, 2018
153.	2018115275113	Service request distribution method, device, computer equipment and storage medium (服務請求分發方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	December 13, 2018
154.	2018111774659	Method, device, computer equipment and storage medium for refreshing webpage applications (WEB 應用程序頁面刷新方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	October 10, 2018
155.	2018115275429	Hybrid communication processing method, device, computer equipment and storage medium (Hybrid 通訊處理方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	December 13, 2018
156.	2018115275414	Method, device, computer equipment and storage medium of interface fuse control for asynchronous messaging (異步消息接口熔斷控制方法、裝置、計算機設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	December 13, 2018
157.	2018111236213	Service line resource loading method, device, computer equipment and storage medium (業務線資源加載方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	September 26, 2018
158.	2018115275147	Login information storage method, device, equipment and medium (登錄信息存儲方法、登錄驗證方法、裝置、設備及介質)	Invention	Ping An Puhui Enterprises Management	December 13, 2018

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
159.	2018112913625	Cloud transmission-based Email delivery method, device and computer equipment (基於雲傳輸的郵件發送方法、裝置及計算機設備)	Invention	Ping An Puhui Enterprises Management	October 31, 2018
160.	2018115436312	Business data collection method, device, computer equipment and storage medium (業務數據獲取方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	December 17, 2018
161.	2018112073853	A method, computer-readable storage medium and terminal equipment for locating users (一種用戶定位方法、計算機可讀存儲介質及終端設備)	Invention	Ping An Puhui Enterprises Management	October 17, 2018
162.	2018115314349	Method, device and computer equipment for monitoring server environment (監控服務器環境狀態的方法、裝置和計算機設備)	Invention	Ping An Puhui Enterprises Management	December 14, 2018
163.	2018115556013	Method, device, storage medium and electronic equipment for interaction based on gesture recognition (基於手勢識別的交互方法、裝置、存儲介質和電子設備)	Invention	Ping An Puhui Enterprises Management	December 19, 2018
164.	2019100571335	Docker server cluster monitoring method, device, medium and electronic equipment (docker服務容器集群的監控方法及裝置、介質及電子設備)	Invention	Ping An Puhui Enterprises Management	January 22, 2019
165.	2019102003365	Background image processing method, device, computer equipment and storage medium (背景圖像處理方法、裝置、計算機設備和存儲介質)	Invention	Ping An Puhui Enterprises Management	March 16, 2019

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
166.	2019101850097	Application update method, device, terminal and computer-readable storage medium (應用程序升級方法、裝置、終端及計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	March 12, 2019
167.	2019100406361	Virtual keyboard generation method, server and computer-readable storage medium (虛擬鍵盤生成方法、服務器及計算機可讀存儲介質)	Invention	Ping An Puhui Enterprises Management	January 16, 2019
168.	2019106344316	Method, electronic device and computer equipment for sustainable requesting of streaming data (可持續請求數據流的方法、電子裝置及計算機設備)	Invention	Ping An Puhui Enterprises Management	July 15, 2019
169.	2019104503784	A method, device and electronic equipment for feedback of application abnormal information (一種APP異常信息的反饋方法及裝置、電子設備)	Invention	Ping An Puhui Enterprises Management	May 28, 2019
170.	2019104421341	A blockchain-based method, device and electronic equipment for storage of electronic contracts (一種基於區塊鏈的電子合同存儲方法及裝置、電子設備)	Invention	Ping An Puhui Enterprises Management	May 24, 2019
171.	2019104202433	A method, equipment and storage medium for data processing (一種數據處理方法、設備及存儲介質)	Invention	Ping An Puhui Enterprises Management	May 20, 2019
172.	2019105308882	A method and device for business diversion (一種業務分流方法及裝置)	Invention	Ping An Puhui Enterprises Management	June 18, 2019
173.	2021107201285	Method, device, computer equipment and storage medium for interface test case generation (接口測試案例的生成方法、裝置、計算機設備及存儲介質)	Invention	Ping An Consumer Finance	June 28, 2021

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
174.	2021107287445	Real-time reviewable content management method, device, equipment and storage medium (可實時預覽的內容管理方法、裝置、設備及存儲介質)	Invention	Ping An Consumer Finance	June 29, 2021
175.	2021104347923	A method, device, computer equipment and storage medium for replacing secret key (一種秘鑰更換的方法、裝置、計算機設備及存儲介質)	Invention	Ping An Consumer Finance	April 22, 2021
176.	2021104361066	Method, device, equipment and storage medium for message distribution (消息下發方法、系統、設備及存儲介質)	Invention	Ping An Consumer Finance	April 22, 2021
177.	2021107371572	Business system login method, device, computer equipment and storage medium (業務系統的登錄方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	June 30, 2021
178.	2021107293342	Time-scheduled task dispatching method, device and computer equipment (定時任務調度方法、裝置和計算機設備)	Invention	Weikun (Shanghai) Technology	June 29, 2021
179.	2021107386671	Method, device, computer equipment and storage medium for data evaluation of database (數據庫的數據評估方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	June 30, 2021
180.	2021107000322	Method, device, computer equipment and storage medium for matching of product data adjustment (產品數據調整的匹配方法、裝置、計算機設備及存儲介質)	Invention	Weikun (Shanghai) Technology	June 23, 2021
181.	2021107386328	Data access method, device, equipment and storage medium (數據接入方法、裝置、設備及介質)	Invention	Weikun (Shanghai) Technology	June 30, 2021

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
182.	2021107000290	Method, device, computer equipment and storage medium for generating code list (代碼清單的生成方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	June 23, 2021
183.	2021107000500	Artificial Intelligence-based product promotion method, device, equipment and storage medium (基於人工智能的產品推薦方法、裝置、設備及存儲介質)	Invention	Weikun (Shanghai) Technology	June 23, 2021
184.	2021107293817	Simulator-based data processing method, device, equipment and storage medium (基於模擬器的數據處理方法、裝置、設備及存儲介質)	Invention	Weikun (Shanghai) Technology	June 29, 2021
185.	2021107064822	Business flow detection method, device, server and storage medium (業務流量檢測方法及裝置、服務器、存儲介質)	Invention	Weikun (Shanghai) Technology	June 24, 2021
186.	2020112380882	A method, equipment, server and storage medium for data searching (一種數據查詢方法、設備、服務器及存儲介質)	Invention	Weikun (Shanghai) Technology	November 9, 2020
187.	2020111302299	Business resource recommendation method, device, computer equipment and storage medium (業務資源推薦方法、裝置、計算機設備及存儲介質)	Invention	Weikun (Shanghai) Technology	October 21, 2020
188.	202011379400X	Page operation and action replay method, device, computer equipment and storage medium (頁面操作行為回放方法、裝置、計算機設備及存儲介質)	Invention	Weikun (Shanghai) Technology	December 1, 2020
189.	2019108430547	Method, device, computer equipment and storage medium for program block generation (程序塊創建方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	September 6, 2019

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
190.	2019107454493	Data monitoring and processing method, device, computer equipment and storage medium (數據監控處理方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	August 13, 2019
191.	2019108421177	Method, device, computer equipment and storage medium for generation of periodic view data (週期視圖數據生成方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	September 6, 2019
192.	2019107457561	Service call method, device, computer equipment and storage medium (服務調用方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	August 13, 2019
193.	2019108485018	Product portrait generation method, device, computer equipment and storage medium (產品畫像生成方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	September 9, 2019
194.	2019107445899	Method, device, computer equipment and storage medium for dispatching by virtual message handler (虛擬消息處理方調度方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	August 13, 2019
195.	2019108433282	Data storage method, device, computer equipment and storage medium (數據存儲方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	September 6, 2019
196.	2019108439753	Message processing method and system (消息處理方法和系統)	Invention	Weikun (Shanghai) Technology	September 6, 2019
197.	2019109701508	Malfunction cluster detection method, device, computer equipment and storage medium (故障群集檢測方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	October 12, 2019

<u>No.</u>	<u>Patent/Registration Number</u>	<u>Name of Patent</u>	<u>Type of Patent</u>	<u>Patent Owner</u>	<u>Date of Application</u>
198.	2019108439240	Authentication method, system, computer equipment and storage medium (身份驗證方法、系統、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	September 6, 2019
199.	2019108486491	Reconciliation method and system (對賬方法和系統)	Invention	Weikun (Shanghai) Technology	September 9, 2019
200.	2019109690556	Reconciliation method, device, computer equipment and storage medium (對賬方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	October 12, 2019
201.	2019112819524	Data exchange processing method, device, equipment and medium based on parallel processing (基於並行處理的數據交換處理方法、裝置、設備和介質)	Invention	Weikun (Shanghai) Technology	December 13, 2019
202.	2019112601755	Method, device, computer equipment and storage medium for control of data access rights (數據訪問權限的控制方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	December 10, 2019
203.	2019109689027	Business data processing method, device, computer equipment and storage medium (業務數據處理方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	October 12, 2019
204.	2019112608379	Information push method and device based on user data (基於用戶數據的信息推送方法及裝置)	Invention	Weikun (Shanghai) Technology	December 10, 2019
205.	2019113145069	Abnormal action detection method, device, computer equipment and storage medium (異常行為檢測方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	December 19, 2019
206.	2017105044141	System evaluation method, intellectual evaluation system and computer-readable storage medium (系統評估方法、智能評估系統及計算機可讀存儲介質)	Invention	Weikun (Shanghai) Technology	June 28, 2017

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
207.	2017107097482	Bill query method, operating device and computer-readable storage medium (賬單查詢方法、操作裝置及計算機可讀存儲介質)	Invention	Weikun (Shanghai) Technology	August 17, 2017
208.	2017105042432	Asset investment information query method, system and computer-readable storage medium (資產投資信息查詢方法、系統及計算機可讀存儲介質)	Invention	Weikun (Shanghai) Technology	June 27, 2017
209.	2017112921491	SDN-based resource cleanup method, device, storage medium and computer equipment (基於SDN的資源清理方法、裝置、存儲介質和計算機設備)	Invention	Weikun (Shanghai) Technology	December 8, 2017
210.	2017112921487	SDN-based network topology discovery method, device and storage medium (基於SDN的網絡拓撲結構發現方法、裝置和存儲介質)	Invention	Weikun (Shanghai) Technology	December 8, 2017
211.	2017114917109	Network control method, system and storage medium (網絡控制方法、系統和存儲介質)	Invention	Weikun (Shanghai) Technology	December 30, 2017
212.	2017112921133	Virtual machine live migration abnormality processing method, device and storage medium (虛擬機熱遷移異常處理方法、裝置和存儲介質)	Invention	Weikun (Shanghai) Technology	December 8, 2017
213.	2017112921129	Database server troubleshooting method, device and storage medium (數據庫服務器故障處理方法、裝置和存儲介質)	Invention	Weikun (Shanghai) Technology	December 8, 2017
214.	2018100024983	Private cloud-based access method and device for public service virtual machine (基於私有雲的公共服務虛擬機訪問方法和裝置)	Invention	Weikun (Shanghai) Technology	January 2, 2018

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
215.	2018100027341	Data packet processing method, device, computer equipment and storage medium (數據包處理方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	January 2, 2018
216.	2017114862290	Network monitoring data processing method, device, computer equipment and storage medium (網絡監測數據處理方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	December 30, 2017
217.	2017114862479	SDN-based network access control method, device and computer equipment (基於SDN的網絡訪問控制方法、裝置和計算機設備)	Invention	Weikun (Shanghai) Technology	December 30, 2017
218.	201810076159X	Method, device, equipment and readable storage medium for simplification of terminal verification procedure (終端驗證流程簡化方法、裝置、設備及可讀存儲介質)	Invention	Weikun (Shanghai) Technology	January 26, 2018
219.	2018100168513	Financial products bidding method, device, equipment and computer-readable storage medium (理財產品的競購方法、裝置、設備及計算機可讀存儲介質)	Invention	Weikun (Shanghai) Technology	January 8, 2018
220.	201810428427X	Method, device, computer equipment and storage medium for generation of test mapping relationship library (測試映射關係庫生成方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	May 7, 2018
221.	2018104278014	Event tracking management method, device, computer equipment and storage medium (埋點管理方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	May 7, 2018

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
222.	2018104390156	Data storage method, device, computer equipment and storage medium (數據存儲方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	May 9, 2018
223.	2018104362419	Website integration method, device and system (網頁集成方法、裝置及系統)	Invention	Weikun (Shanghai) Technology	May 9, 2018
224.	2018106298262	Code file generation method, device, computer equipment and storage medium (代碼文件生成方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	June 19, 2018
225.	2018106226029	Cross-platform database management method, device, computer equipment and storage medium (跨平台數據庫管理方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	June 15, 2018
226.	2018106199426	Single-page website application implementation method, device, computer equipment and storage medium (單頁Web應用實現方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	June 15, 2018
227.	2018109230007	Information viewing method, device, computer equipment and storage medium (信息查看的方法、裝置、計算機設備和存儲介質)	Invention	Weikun (Shanghai) Technology	August 14, 2018
228.	2017111677654	Authentication method, device, computer equipment and computer-readable storage medium (身份驗證方法、裝置、計算機設備和計算機可讀存儲介質)	Invention	Chongqing Exchange	November 21, 2017

<u>No.</u>	<u>Patent/Registration Number</u>	<u>Name of Patent</u>	<u>Type of Patent</u>	<u>Patent Owner</u>	<u>Date of Application</u>
229.	201711060242X	Method, central server and storage medium for configuration file pushing supporting grayscale mode (支持灰度模式的配置文件推送方法、中心服務器及存儲介質)	Invention	Chongqing Exchange	November 1, 2017
230.	2017111886382	Interface generation method, device, storage medium and computer equipment (界面生成方法、裝置、存儲介質和計算機設備)	Invention	Chongqing Exchange	November 24, 2017
231.	2017111817325	Data storage method, query method, device, storage medium and computer equipment (數據存儲方法、查詢方法、裝置、存儲介質和計算機設備)	Invention	Chongqing Exchange	November 23, 2017
232.	2017114812624	Single sign-on server, method and computer-readable storage medium (單點登錄服務器、方法及計算機可讀存儲介質)	Invention	Chongqing Exchange	December 29, 2017
233.	2017113234858	Electronic seal device, method and computer-readable storage medium (實現電子印章的裝置、方法及計算機可讀存儲介質)	Invention	Chongqing Exchange	December 13, 2017
234.	2018100912443	Electronic equipment, product recommendation method and computer-readable storage medium (電子裝置、產品推薦方法和計算機可讀存儲介質)	Invention	Chongqing Exchange	January 30, 2018
235.	2017114850128	Method, device, storage medium and computer equipment for graphical processing of government data (政務數據圖形化處理方法、裝置、存儲介質和計算機設備)	Invention	Chongqing Exchange	December 29, 2017

<u>No.</u>	<u>Patent/Registration Number</u>	<u>Name of Patent</u>	<u>Type of Patent</u>	<u>Patent Owner</u>	<u>Date of Application</u>
236.	2017114850147	Method, device, storage medium and computer equipment for property right project information recommendation (產權項目信息推薦方法、裝置、存儲介質和計算機設備)	Invention	Chongqing Exchange	December 29, 2017
237.	2018102838702	Electronic device, deployment automation method of cloud system application and storage medium (電子裝置、雲系統軟件自動部署方法及存儲介質)	Invention	Chongqing Exchange	April 2, 2018
238.	2019104641572	Conversational search and answer method, device, computer equipment and storage medium (對話式檢索回答方法、裝置、計算機設備及存儲介質)	Invention	Chongqing Exchange	May 30, 2019

(c) Copyrights

As at the Latest Practicable Date, we had registered the following copyrights which are material in relation to our Group's business:

<u>No.</u>	<u>Copyright</u>	<u>Registration Number</u>	<u>Copyright Owner</u>	<u>Place of Registration</u>	<u>Registration Date</u>
1.	LuDianTong (陸店通)	國作登字-2022-F-10267583	Shanghai Lufax	PRC	December 19, 2022
2.	Ping An Consumer Finance manual approval platform (平安消金人工審批平台)	2022SR1385920	Ping An Consumer Finance	PRC	September 30, 2022
3.	Ping An Puhui Luhuirong IOS version software (平安普惠陸慧融 IOS版軟件)	2022SR1194401	Ping An Puhui Financing Guarantee Co., Ltd.	PRC	August 19, 2022
4.	Ping An Puhui Luhuirong Android version software (平安普惠陸慧融 Android版軟件)	2022SR1194402	Ping An Puhui Financing Guarantee Co., Ltd.	PRC	August 19, 2022

No.	Copyright	Registration Number	Copyright Owner	Place of Registration	Registration Date
5.	Ping An Puhui new official website system (平安普惠新官網系統)	2019SR0024970	Ping An Puhui Enterprises Management	PRC	January 8, 2019
6.	Ping An Lanke app Android version software (平安攬客APP Android版軟件)	2017SR567212	Ping An Puhui Enterprises Management	PRC	October 13, 2017
7.	Ping An Consumer Finance transaction accounting system (平安消費金融交易核算系統)	2022SR1127891	Ping An Consumer Finance	PRC	August 15, 2022
8.	Ping An Consumer Finance application platform system (平安消費金融申請平台系統)	2022SR1127889	Ping An Consumer Finance	PRC	August 15, 2022
9.	Ping An Consumer Finance shared support platform (平安消費金融共享支持平台)	2022SR1127890	Ping An Consumer Finance	PRC	August 15, 2022
10.	Consumer finance operation support platform system (消費金融運營支撐平台系統)	2022SR0987493	Ping An Consumer Finance	PRC	August 2, 2022
11.	Ping An Consumer Finance data asset management system (平安消費數據資產管理系統)	2022SR0987494	Ping An Consumer Finance	PRC	August 2, 2022
12.	Ping An Puhui international consumer credit self-service system software (平安普惠國際消費信貸自助服務系統軟件)	2022SR0067868	Shenzhen Lufax Internet Information	PRC	January 11, 2022
13.	Ping An Puhui user service system (平安普惠用戶服務系統)	2022SR0067706	Shenzhen Lufax Internet Information	PRC	January 11, 2022

No.	Copyright	Registration Number	Copyright Owner	Place of Registration	Registration Date
14.	Consumer finance visualized risk-control engine system (消金可視化風控引擎系統)	2021SR1383232	Ping An Consumer Finance	PRC	September 15, 2021
15.	Ping An Consumer Finance product configuration platform system (平安消費金融產品配置平台系統)	2021SR1383233	Ping An Consumer Finance	PRC	September 15, 2021
16.	Artificial Intelligence video loan assistance system (AI視頻貸款輔助系統)	2021SR1502697	Ping An Puhui Enterprises Management	PRC	October 13, 2021
17.	Lufax comprehensive financial platform system for financial insurance fund loans and iOS mobile software (陸金所理財保險基金貸款綜合金融平台系統iOS手機端軟件)	2021SR1455734	Weikun (Shanghai) Technology	PRC	September 29, 2021
18.	Organization management system (組織管理系統)	2021SR1227073	Ping An Puhui Enterprises Management	PRC	August 18, 2021
19.	Ping An Consumer Finance marketing application management back desk system (平安消金營銷應用管理後臺系統)	2021SR1257044	Ping An Consumer Finance	PRC	August 24, 2021
20.	Puhui small and micro business circle system software (普惠小微生意圈系統軟件)	2021SR1227065	Ping An Puhui Enterprises Management	PRC	August 18, 2021
21.	Storage procedure converting to Java system (存儲過程轉Java系統)	2021SR1227205	Weikun (Shanghai) Technology	PRC	August 18, 2021
22.	Intelligent SQL moderation system (智能SQL審核系統)	2021SR1234309	Weikun (Shanghai) Technology	PRC	August 19, 2021

No.	Copyright	Registration Number	Copyright Owner	Place of Registration	Registration Date
23.	Database and meta database intelligent management platform (數據庫元數據庫智能管理平台)	2021SR1234545	Weikun (Shanghai) Technology	PRC	August 19, 2021
24.	Database intelligent data synchronization system (數據庫數據智能同步系統)	2021SR1234531	Weikun (Shanghai) Technology	PRC	August 19, 2021
25.	Intelligent SQL conversion system (智能SQL轉化系統)	2021SR1234546	Weikun (Shanghai) Technology	PRC	August 19, 2021
26.	Consumer finance micro service platform system (消費金融微服務平台系統)	2021SR1312728	Ping An Consumer Finance	PRC	September 2, 2021
27.	MI-X intelligent analysis platform (MI-X智能分析平台)	2021SR1353165	Ping An Puhui Enterprises Management	PRC	September 9, 2021
28.	Consumer finance risk and anti-fraud management system (消金風險反欺詐管理系統)	2021SR1383231	Ping An Consumer Finance	PRC	September 15, 2021
29.	Unified document platform (統一單證平台)	2021SR1227027	Ping An Puhui Enterprises Management	PRC	August 18, 2021
30.	Lujintong (陸金通)	2020SR0792611	Lufax (Shenzhen) Technology	PRC	April 13, 2021
31.	Consumer finance collection strategy management platform (消費金融催收策略管理平台)	2021SR1312527	Ping An Consumer Finance	PRC	September 2, 2021
32.	Consumer finance credit checking management system (消費金融徵信管理系統)	2021SR1509211	Ping An Consumer Finance	PRC	October 14, 2021
33.	Consumer finance point classification system (消金積分等級系統)	2021SR1257046	Ping An Consumer Finance	PRC	August 24, 2021

No.	Copyright	Registration Number	Copyright Owner	Place of Registration	Registration Date
34.	Ping An Consumer Finance transaction domain – transaction consumption back desk system (平安消費金融交易域—交易消費後臺系統)	2021SR1509212	Ping An Consumer Finance	PRC	October 14, 2021
35.	Consumer finance comprehensive query platform (消費金融綜合查詢平台)	2021SR1361769	Ping An Consumer Finance	PRC	September 10, 2021
36.	Consumer finance credit check reporting system (消費金融徵信上報系統)	2021SR1312602	Ping An Consumer Finance	PRC	September 2, 2021
37.	Consumer finance risk decision-making subsystem (消金風險決策子系統)	2021SR1312737	Ping An Consumer Finance	PRC	September 2, 2021
38.	Consumer finance data assets analysis system (消金數據資產分析系統)	2021SR1312723	Ping An Consumer Finance	PRC	September 2, 2021
39.	Consumer finance subcontracted collection operation system (消金委外催收作業系統)	2021SR1312528	Ping An Consumer Finance	PRC	September 2, 2021
40.	Consumer finance financial bookkeeping management system (消費金融財務記賬管理系統)	2021SR1312727	Ping An Consumer Finance	PRC	September 2, 2021
41.	Ping An Consumer Finance client account management system (平安消費金融客戶賬戶管理系統)	2021SR1257045	Ping An Consumer Finance	PRC	August 24, 2021
42.	Ping An Puhui consumer credit mobile service subsystem (IOS version) software (平安普惠消費信貸移動服務子系統(IOS版)軟件)	2021SR1069633	Ping An Puhui Enterprises Management	PRC	July 20, 2021

No.	Copyright	Registration Number	Copyright Owner	Place of Registration	Registration Date
43.	Ping An Consumer Finance marketing management system (平安消費金融營銷管理系統)	2020SR1087176	Ping An Consumer Finance	PRC	September 11, 2020
44.	Ping An Consumer Finance risk management system (平安消費金融風險管理系統)	2020SR1079369	Ping An Consumer Finance	PRC	September 10, 2020
45.	Ping An Consumer Finance client service system (平安消費金融客戶服務系統)	2020SR1079362	Ping An Consumer Finance	PRC	September 10, 2020
46.	Ping An Consumer Finance asset and liability management platform (平安消費金融資產負債管理平台)	2020SR1079375	Ping An Consumer Finance	PRC	September 10, 2020
47.	Ping An Puhui consumer credit mobile service subsystem (Android version) software (平安普惠消費信貸移動服務子系統(安卓版)軟件)	2021SR1069443	Ping An Puhui Enterprises Management	PRC	July 20, 2021
48.	Lu PRO app (Android) (陸PRO APP (Android))	2019SR0382253	Shanghai Lufax Funds Sales Co., Ltd.	PRC	August 5, 2019
49.	Lu PRO app (IOS) 陸PRO APP (IOS)	2019SR0384306	Shanghai Lufax Funds Sales Co., Ltd.	PRC	August 5, 2019
50.	Ping An Consumer Credit app IOS version software (平安消費金融APP IOS版軟件)	2020SR0412211	Ping An Consumer Finance	PRC	May 7, 2020
51.	Puhui post-loan app (普惠貸後APP)	2021SR1069548	Ping An Puhui Enterprises Management	PRC	July 20, 2021
52.	Ping An Puhui client marketing management system (平安普惠客戶營銷管理系統)	2021SR1069549	Ping An Puhui Enterprises Management	PRC	July 20, 2021

No.	Copyright	Registration Number	Copyright Owner	Place of Registration	Registration Date
53.	Puhui micro service platform (普惠微服務平台)	2018SR892470	Ping An Puhui Enterprises Management	PRC	November 7, 2018
54.	Puhui new customer complaint system (普惠新客訴系統)	2021SR1173043	Ping An Puhui Enterprises Management	PRC	August 9, 2021
55.	Lufax online investment and financial management system IOS mobile software (陸金所網絡投資理財系統IOS手機端軟件)	2015SR062300	Shanghai Lufax	PRC	April 13, 2015
56.	Lufax online investment and financial management system Android mobile software (陸金所網絡投資理財系統Android手機端軟件)	2015SR062423	Shanghai Lufax	PRC	April 13, 2015
57.	Ping An Consumer Finance app Android version software (平安消費金融APP Android版軟件)	2020SR0412206	Ping An Consumer Finance	PRC	May 7, 2020
58.	Puhui asset and trust funds docking system (普惠資產和信托資金對接系統)	2020SR0289775	Weikun (Shanghai) Technology	PRC	March 25, 2020
59.	Puhui intelligent collection service platform (普惠智能催收服務平台)	2020SR0174133	Ping An Puhui Enterprises Management	PRC	February 25, 2020
60.	Puhui investment and financing management system (普惠投融資管理系統)	2020SR0105590	Ping An Puhui Enterprises Management	PRC	January 20, 2020
61.	Puhui client information management subsystem (普惠客戶信息管理子系統)	2019SR1259024	Ping An Puhui Enterprises Management	PRC	December 2, 2019
62.	Puhui supervision and reporting system (普惠監管上報系統)	2019SR1263137	Ping An Puhui Enterprises Management	PRC	December 3, 2019

No.	Copyright	Registration Number	Copyright Owner	Place of Registration	Registration Date
63.	Puhui comprehensive query platform (普惠綜合查詢平台)	2019SR1259400	Ping An Puhui Enterprises Management	PRC	December 2, 2019
64.	Puhui FISP funds unified access platform system (普惠FISP資金統一接入平台系統)	2019SR1428057	Ping An Puhui Enterprises Management	PRC	December 25, 2019
65.	Puhui Artificial Intelligence development training deployment platform (普惠AI開發訓練部署平台)	2019SR1428017	Ping An Puhui Enterprises Management	PRC	December 25, 2019
66.	Accounts platform (賬戶平台)	2019SR0748463	Lufax (Shanghai) Technology Service Co., Ltd. Lufax (Shenzhen) Technology	PRC	July 18, 2019
67.	Accounts system (賬戶系統)	2019SR0748459	Lufax (Shanghai) Technology Service Co., Ltd. Lufax (Shenzhen) Technology	PRC	July 18, 2019
68.	Accounting system (賬務系統)	2019SR0379674	Lufax (Shanghai) Technology Service Co., Ltd. Lufax (Shenzhen) Technology	PRC	April 23, 2019
69.	Funds management and control system (資金管控系統)	2019SR0373229	Lufax (Shanghai) Technology Service Co., Ltd. Lufax (Shenzhen) Technology	PRC	April 23, 2019
70.	Puhui NLP intelligent dialogue system (普惠NLP智能對話系統)	2019SR0316208	Ping An Puhui Enterprises Management	PRC	April 9, 2019
71.	Puhui system operation and maintenance department subsystem (普惠系統運維部子系統)	2018SR911290	Ping An Puhui Enterprises Management	PRC	November 14, 2018

<u>No.</u>	<u>Copyright</u>	<u>Registration Number</u>	<u>Copyright Owner</u>	<u>Place of Registration</u>	<u>Registration Date</u>
72.	Ping An Puhui performance board system (平安普惠業績看板系統)	2018SR906860	Ping An Puhui Enterprises Management	PRC	November 13, 2018
73.	Consumer credit self-service collection system software (消費信貸自助採集系統軟件)	2018SR890111	Ping An Puhui Enterprises Management	PRC	November 7, 2018
74.	Consumer credit financial accounting management system (消費信貸財務核算管理系統)	2018SR837436	Ping An Puhui Enterprises Management	PRC	October 19, 2018
75.	Puhui financial risk management system (普惠金融風險管理系統)	2018SR812063	Ping An Puhui Enterprises Management	PRC	October 11, 2018
76.	Consumer credit client service management system (消費信貸客戶服務管理系統)	2018SR500122	Ping An Puhui Enterprises Management	PRC	June 29, 2018
77.	Ping An Puhui consumer credit bank interaction (平安普惠消費信貸銀行交互系統)	2018SR500132	Ping An Puhui Enterprises Management	PRC	June 29, 2018
78.	Consumer credit management core service system (消費信貸管理核心服務系統)	2017SR692992	Ping An Puhui Enterprises Management	PRC	December 15, 2017
79.	Ping An property insurance and credit guarantee insurance core system software (平安產險信用保證險核心系統軟件)	2017SR500393	Ping An Puhui Enterprises Management	PRC	September 11, 2017
80.	Ping An Lanke app (IOS) (平安攬客APP (IOS))	2017SR543817	Ping An Puhui Enterprises Management	PRC	September 25, 2017

(d) Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1.	lujs.com.cn	Shanghai Lufax	November 8, 2023
2.	playlu.cn	Shanghai Lufax	June 18, 2026
3.	lui-hk.com	Weikun (Shanghai) Technology	January 16, 2024
4.	lfex.cn	Shanghai Lufax	August 19, 2023
5.	lu-hk.com	Shanghai Lufax	January 16, 2024
6.	lu-globalcdn.net	Weikun (Shanghai) Technology	April 6, 2023
7.	lujinsuo.com	Shanghai Lufax	November 8, 2023
8.	lufax.cn	Shanghai Lufax	August 23, 2023
9.	playlu.com.cn	Shanghai Lufax	June 18, 2026
10.	lu.com	Shanghai Lufax	April 22, 2023
11.	xlu.com.cn	Shanghai Lufax	June 30, 2023
12.	lujiaosuo.com	Lufax (Shenzhen) Technology	November 8, 2023
13.	palubao.cn	Shanghai Lufax	October 27, 2023
14.	lufunds.com.cn	Shanghai Lufax	September 3, 2023
15.	lufaxholding.com	Lufax Holding Ltd	January 13, 2024
16.	lu-global.net	Weikun (Shanghai) Technology	December 14, 2023
17.	luagent.com	Lufax (Shenzhen) Technology	August 17, 2023
18.	lufax.com	Shanghai Lufax	August 23, 2023
19.	lujinsuo.cn	Shanghai Lufax	November 8, 2023
20.	lushops.cn	Lufax (Shenzhen) Technology	June 20, 2023
21.	lufax.net	Shanghai Lufax	August 23, 2023
22.	lufax.club	Weikun (Shanghai) Technology	August 21, 2023
23.	lujs.net	Shanghai Lufax	November 8, 2023
24.	lujintech.com	Weikun (Shanghai) Technology	September 27, 2023
25.	lu-cloud.com	Weikun (Shanghai) Technology	July 14, 2023
26.	lujs.cn	Shanghai Lufax	November 8, 2023
27.	playlu.com	Shanghai Lufax	June 18, 2025
28.	aexsz.com	Shenzhen Financial Assets and Commodities Trading Center Co., Ltd.	November 3, 2023

No.	Domain Name	Registered Owner	Expiry Date
29.	lu-tech.cn	Weikun (Shanghai) Technology	August 11, 2023
30.	palubao.com.cn	Shanghai Lufax	October 27, 2023
31.	lfex.com	Shanghai Lufax	November 30, 2023
32.	lujsclub.com	Weikun (Shanghai) Technology	November 2, 2023
33.	lujinsuo.com.cn	Shanghai Lufax	November 8, 2023
34.	lufaxcdn.com	Shanghai Lufax	February 24, 2024
35.	lufax.com.cn	Shanghai Lufax	August 23, 2023
36.	xlu.cn	Shanghai Lufax	June 15, 2023
37.	playlu.net	Shanghai Lufax	June 18, 2023
38.	lu.com.cn	Shanghai Lufax	March 29, 2023
39.	ludiantong.cn	Lufax (Shenzhen) Technology	June 20, 2023
40.	lfex.com.cn	Shanghai Lufax	August 19, 2023
41.	xlu.com	Shanghai Lufax	January 20, 2024
42.	lujinsuo.net	Shanghai Lufax	November 8, 2023
43.	lujincaifu.com	Shenzhen Lufax Internet Information	September 27, 2023
44.	cqfae.com	Chongqing Exchange	March 30, 2024
45.	pazhengfuyun.com	Chongqing Exchange	February 23, 2024
46.	ph.com.cn	Ping An Puhui Financing Guarantee Co., Ltd.	January 22, 2024
47.	phrzd.com	Ping An Puhui Financing Guarantee Co., Ltd.	June 6, 2023
48.	pplxamc.com.cn	Puhui Lixin	September 11, 2023
49.	ringan.co.id	PT. Ringan Teknologi Indonesia	December 31, 2024
50.	puhui.id	PT. Ringan Teknologi Indonesia	February 19, 2024

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' service contracts

(a) Executive Directors

Each of our executive Directors has entered into an amended and restated director agreement with us. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement and rotation as and when required under the Articles of Association and the Listing Rules). Either party may terminate the agreement by giving not less than 30 days' written notice.

(b) Non-executive Directors

Each of the non-executive Directors has entered into an amended and restated director agreement with us. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement and rotation as and when required under the Articles of Association and the Listing Rules).

(c) Independent Non-executive Directors

Each of our independent non-executive Directors has entered into an amended and restated director agreement with us. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association and the Listing Rules). Either party may terminate the agreement by giving not less than 30 days' written notice, or such shorter period as the parties may agree upon. Under their respective amended and restated director agreements, each of the independent non-executive Directors is entitled to an annual fixed fee.

(d) Others

Under the arrangement currently in force, the aggregate of the remuneration and benefits in kind (excluding discretionary bonus) payable to the Directors for the year ending December 31, 2023 is estimated to be approximately RMB14.1 million.

Save as disclosed under this subsection, none of the Directors has entered into a service contract with us other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

2. Disclosure of interests

(a) Interests and short positions of our Directors and chief executives in the share capital of the Company or its associated corporations following completion of the Listing

Immediately following completion of the Listing (assuming no changes to our issued and outstanding share capital between the Latest Practicable Date and the Listing), the interests and/or short positions (as applicable) of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required, pursuant to the 'Model Code for Securities Transactions by Directors of Listed Issuers' contained in the Listing Rules, to be

notified to the Company and the Stock Exchange once our Shares are listed on the Stock Exchange, are set out as follows:

(i) *Interest in Shares of the Company*

<u>Name of director</u>	<u>Nature of interest</u>	<u>Number of issued Shares</u>	<u>Number of Shares underlying outstanding options and/or unvested performance share units granted</u>	<u>Approximate percentage of interest in the Company immediately after Listing</u>
Mr. Yong Suk CHO (趙容奭)	Beneficial interest	nil	527,150	0.05%
Mr. Gregory Dean GIBB (計葵生)	Beneficial interest	31,083 ⁽¹⁾	611,226.5	0.06%
Mr. Guangheng JI (冀光恒)	Beneficial interest	nil	428,975	0.04%

Note:

(1) Representing 62,165 ADSs held by Mr. Gregory Dean GIBB as of the Latest Practicable Date.

Save as disclosed under this subsection, none of the Directors or the chief executives of the Company will, immediately following the completion of the Listing, have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

(b) *Disclosure of Interests of Substantial Shareholders*

For information on the persons who will, immediately following the completion of the Listing and taking no account of any Shares which may be issued pursuant to the exercise of the options or the vest of performance share units granted under the Share Incentive Plans, have or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please see the section headed "Substantial Shareholders."

D. SHARE INCENTIVE PLANS**Summary**

We adopted the 2014 Share Incentive Plan in December 2014 and amended and restated it most recently on July 21, 2021. In addition, we adopted the 2015 Share Incentive Plan in August 2015 and amended and restated it most recently on July 21, 2021. We further adopted the 2019 Performance Share Unit Plan in September 2019 and amended and restated it most recently in July 2021. In anticipation of the Listing, the Board has approved to conditionally (i) amend and restate the 2014 Share Incentive Plan to comply with Chapter 17 of the Listing Rules and add the scheme limit of the 2015 Share Incentive Plan to the 2014 Share Incentive Plan, (ii) terminate the 2015 Share Incentive Plan, and (iii) amend and restate the 2019 Performance Share Unit Plan. Such amendment and termination will take effect upon the approval by the Shareholders at the EGM. Upon the approval by the Shareholders at the EGM, the 2015 Share Incentive Plan will be terminated and all outstanding options granted under the 2015 Share Incentive Plan will be substituted by the options to be granted under the 2014 Share Incentive Plan before Listing. The terms of the options (including but not limited to the number of shares underlying the options, the exercise prices, the performance targets and the vesting schedules) so granted will be the same as the terms of the outstanding options previously granted to the relevant grantees under the 2015 Share Incentive Plan. As the terms of the amended 2014 Share Incentive Plan and the 2019 Performance Share Unit Plan are in compliance with the requirements under Chapter 17 of the Listing Rules, upon the approval by the Shareholders at the EGM, the Company may continue to grant options or share performance units under such plans after Listing.

In respect of the Share Incentive Plans, we have applied for, the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules in connection with the disclosure of certain details relating to the options and performance share units and certain grantees in this document. See the section headed “Waivers—Waiver in relation to the Share Incentive Plans” for more information.

We have also applied for, the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 17.03(E) of the Listing Rules, so that we may, after the Listing, continue to grant options exercisable into ADSs with exercise prices based on the market price of the ADSs as traded on the NYSE under the 2014 Share Incentive Plan.

2014 Share Incentive Plan

The principal terms of the 2014 Share Incentive Plan, as conditionally amended and restated, are as described below.

(a) Purpose

The purposes of the 2014 Share Incentive Plan are to promote long-term sustainable development of the Company and its Related Entities (as defined below), maximize the value for the Shareholders and achieve win-win situation among the Shareholders, the Company and the employees of the Company or its Related Entities.

(b) Eligible Participants

The Company's Directors, officers, employees, service providers (the "**Service Provider Participants**") or employees of any entity directly or indirectly controlling or controlled by the Company through voting or contractual arrangement, or directly or indirectly under common control with the Company (the "**Related Entities**"), as determined by our Board from time to time, are eligible to participate in the 2014 Share Incentive Plan. In particular, the Service Provider Participants refer to the persons who have been and continue to provide the Company with services beneficial to its long-term development in the ordinary course of business, including the persons who provide the Company with consulting services and business cooperation services. In assessing whether the Service Provider Participants' eligibility to participate in the 2014 Share Incentive Plan, the Board shall take into account the nature and length of services provided as well as the long-term interests of the Company.

The eligibility of Service Provider Participants to participate in the 2014 Share Incentive Plan is consistent with the purpose of the 2014 Share Incentive Plan. The Service Provider Participants, by holding on to equity incentives, will benefit from our long term growth. It encourages the Service Provider Participants to contribute to the Group and aligns the interest of the Service Provider Participants with our interests.

(c) Maximum Numbers of Shares

The maximum aggregate number of shares authorized and reserved under the 2014 Share Incentive Plan is 30,644,803 ordinary Shares. The total number of Shares which may be issued upon the exercise or vesting of all options and performance share units that may be granted pursuant to the 2014 Share Incentive Plan and any other share incentive scheme(s) of the Company in aggregate is 45,644,803 Shares, representing less than 10% of the total number of issued and outstanding Shares as of the date of the EGM.

The total number of Shares which may be issued pursuant to options to be granted to the Service Provider Participants under the 2014 Share Incentive Plan is 12,000,000 Shares, being 1.0% of the total number of issued and outstanding Shares immediately upon the Listing (assuming there is no change in the issued and outstanding Shares between the Latest Practicable Date and the Listing Date).

Given the amendment and the termination of the 2014 Share Incentive Plan and the 2015 Share Incentive Plan, the Board has approved that the maximum aggregate number of Shares which may be issued upon the exercise of options under the amended 2014 Share Incentive Plan shall be deducted by the number of Shares issued upon the exercise of the options granted under the 2015 Share Incentive Plan up to the effective date of the termination of the 2015 Share Incentive Plan.

(d) Maximum Entitlement of a Grantee

Upon the Listing, unless approved by the Shareholders in general meeting in the manner set out in the applicable rules of the stock exchange where the Shares or ADSs are listed, the total number of Shares issued and to be issued upon the vesting or exercise of all options and/or awards granted and to be granted

under the 2014 Share Incentive Plan and any other share incentive scheme(s) of the Company to each eligible participant (excluding any lapsed award) in any 12-month period shall not exceed 1% of the total number of issued and outstanding Shares.

(e) Plan Administration

The 2014 Share Incentive Plan shall be administrated by the Board. The Board shall determine the participants to receive options, the number of options to be granted, the time and number of options to be vested, the number of vested options to be exercised, and other terms and conditions of each grant. The Board may delegate authority to a director, a committee of the board, or other designated person (the “**Plan Administrator**”) to administer the 2014 Share Incentive Plan.

(f) Vesting Schedule and Performance Target

Unless otherwise approved by the Board, the options granted shall become vested over a period of four years, and the maximum number of options to be vested in each year shall be 25% of the total options granted in each batch. The first vesting date shall be the first anniversary of the date of grant (or the first anniversary of the day immediately following the date of grant if there is no anniversary of such date of grant).

The vesting of options is subject to the achievement of performance targets. In determining the number of options to be vested in each batch, the Board shall take into account (i) the operating results of the Company and the Related Entities and (ii) the individual performance of such grantee in the most recent appraisal and the ranking of performance of such grantee. The performance targets attached to each grant may be adjusted by the Board from time to time.

(g) Validity of Options

Any share option granted under the 2014 Share Incentive Plan shall remain valid for ten years from the date of grant (the “**Option Validity Period**”). Options shall lapse automatically (to the extent not already exercised or lapsed) on the expiry of such term. Unless otherwise required by applicable laws or by the Board or provided by the 2014 Share Incentive Plan, all vested options may be exercised by the grantee from an initial date of exercise to the end of the Option Validity Period. The Board shall determine the specific initial date of exercise, which shall be a date no earlier than six months after the date of the listing of the ADSs on the NYSE but no later than eight years after the date of grant.

(h) Exercise Price

The Board shall determine the exercise price for each option in accordance with the terms of the 2014 Share Incentive Plan. In any event, the exercise price shall not be lower than the higher of (i) the fair market value of the Share on the date of grant and (ii) the par value of the Share.

Upon the Listing, the exercise price shall also not be lower than the higher of the following: (i) where the options granted are exercisable into the ADSs and the exercise price is determined in U.S. dollars,

(a) the closing price of the ADSs as stated in the NYSE's daily quotations sheet on the grant date, which should be a business day of the NYSE, or (b) the average closing price of the ADSs as stated in the NYSE's daily quotation sheets for the five business days immediately preceding the grant date; or (ii) where the options granted are exercisable into the Shares and the exercise price is determined in Hong Kong dollars, (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the grant date which should be a business day of the Stock Exchange, or (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date.

(i) Voting, Transfer and Dividend Rights

Until a grantee is registered as a Shareholder upon exercise of the option, such grantee shall not be entitled to any shareholders' rights (including right to vote or receive dividends or transfer the Shares and liquidation right) or interests attached to any Share underlying the option under the 2014 Share Incentive Plan.

A grantee shall not be entitled to any rights more superior to other Shareholders ranking *pari passu* with respect to the Shares issued to such grantee upon exercise of the option.

(j) Transfer Restriction

Unless otherwise provided by applicable laws and agreed by the Board, a grantee shall not pledge, transfer or dispose of the options in any other way during the Option Validity Period.

(k) Grant of Awards to Directors, Chief Executives or Substantial Shareholders of the Company

Upon the Listing, any grant of options to our Director, chief executive or substantial shareholder, or any of their respective associates pursuant to the 2014 Share Incentive Plan must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of such options).

In addition, upon the Listing, where any grant of options or awards to our independent non-executive Director or substantial shareholder, or any of their respective associates, would result in the Shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the 2014 Share Incentive Plan and any other share incentive scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued and outstanding Shares, such further grant of options or awards must be approved by the Shareholders in general meeting in the manner set out in the Listing Rules.

(l) Awards

Each grant of options shall be designated in a grant letter issued by the Company to a grantee. Each grant shall be subject to all applicable terms and conditions of the 2014 Share Incentive Plan and the relevant grant letter shall set forth the terms for each award.

(m) Term of the 2014 Share Incentive Plan

The 2014 Share Incentive Plan has a term of ten years.

(n) Clawback

Unless otherwise specified by the plan, in the event of any participant's termination or expiration of his/her employment or contractual engagement with the Group for any reason prior to or within the six months upon the initial public offering, all of the options which are granted to such participant but not yet exercised, regardless of whether such options have vested or not, shall be canceled without any compensation. Unless otherwise specified by the plan, in the event of any participant's termination or expiration of his/her employment or contractual engagement with the Group for any reason after the six months upon the initial public offering, all of the options which are granted to such participant and vested shall be exercised with ninety (90) exercisable days as determined by the Company, or otherwise surrendered to the Company without any compensation.

In the event of any participant's misconduct during the employment, the Company or any other authority designated by the Board may dispose the awards granted to such participants on a case-by-case basis, including but not limited to: (i) the Company or any other authority designated by the Board may, without any compensation, cancel all or part of the options which are granted to such participant but not yet exercised, regardless of whether such options have vested or not; and (ii) if the options granted have been exercised, the Company or any other authority designated by the Board may at any time, but is not obligated to, repurchase all or part of the Shares or related rights issued to the grantee upon the exercise of the options at the lower of the exercise price paid by the grantee or the fair market value of the Shares (as determined by the Board).

Upon the occurrence of a competition event (namely, a grantee (i) becomes a shareholder, director, officer, employee, consultant or partner of any competitor of the Company or Related Entities; or (ii) engages in any act that may advantage the competitor): (i) if, during his or her employment or within 3 years after the termination of such employment, a grantee engages in any competing activity without the written consent of the Company or the relevant Related Entity, all the options (whether vested or not) held by the grantee shall be canceled without any compensation; and (ii) if the options granted have been exercised, the Company or any other authority designated by the Board may at any time, but is not obligated to, repurchase all or part of the Shares or related rights issued to the grantee upon the exercise of the options at the lower of the exercise price paid by the grantee or the fair market value of the Shares (as determined by the Board).

(o) Lapse of Options

An option issued under the 2014 Share Incentive Plan shall lapse automatically after the expiration of the Option Validity Period.

(p) Amendment and Termination

Unless otherwise provided by the 2014 Share Incentive Plan or the applicable rules of the stock exchange where the Shares or ADSs are listed, the Board in general has a right but is not obligated to amend the 2014 Share Incentive Plan (including without limitation, amendments in order to comply with changes in legal or regulatory requirements or facilitate our business needs) at any time and such decision shall be unconditionally binding on all eligible participants. Notwithstanding the above, Shareholders' approval is required for any change to be made to (i) the material terms of the 2014 Share Incentive Plan, (ii) the terms of the 2014 Share Incentive Plan relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the participants, or (iii) the authority of the Board or the Plan Administrator to amend the terms of the plan.

The Board may decide to terminate the 2014 Share Incentive Plan before the expiry of its term, following which no further awards will be offered or granted thereunder. Notwithstanding such termination, the outstanding options granted under the 2014 Share Incentive Plan may continue to be vested and/or exercised pursuant to the terms of the grant.

(q) Alterations in the Capital Structure of the Company

In the event of any alteration in the capital structure of the Company by way of capitalization issue, subdivision or consolidation of Shares, rights issue or reduction of the share capital of the Company (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), the Board may make such corresponding adjustments with respect to the numbers and prices of options and/or Shares, to ensure that (i) any such adjustments should give each grantee the same proportion of the equity capital of the Company, rounded to the nearest whole Share, as that to which that grantee was previously entitled prior to such adjustments, and (ii) no such adjustments shall be made which would result in a Share being issued at less than its nominal value. Except for the adjustments resulting from the capitalization issue, any other adjustment shall be confirmed in writing by the independent financial advisor or the auditors that such adjustment complies with the terms and conditions of the 2014 Share Incentive Plan. Subject to the applicable rules of the stock exchange where the Shares or ADSs are listed, the determination by the Board shall be final and binding.

(r) Inside Information

Upon the Listing, we will not grant any options in the following circumstances: (i) after inside information has come to our knowledge until (and including) the trading day after we have announced the information; (ii) during the period commencing one month immediately before the earlier of (a) the date of the Board meeting (or such date is first notified to the Stock Exchange under the Listing Rules) for approving our results for any year, half-year, quarterly or any other interim period; and (b) the deadline for us to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period, and ending on the date of the results announcement. No options will be granted by our Company during any period of delay in publishing a results announcement.

2019 Performance Share Unit Plan

The principal terms of the 2019 Performance Share Unit Plan, as conditionally amended and restated, are as described below.

(a) Purpose

The purposes of the 2019 Performance Share Unit Plan are to promote long-term sustainable development of the Company and its Related Entities (as defined below), maximize the value for the Shareholders and achieve win-win situation among the Shareholders, the Company and the employees of the Company or its Related Entities.

(b) Eligible Participants

The Company's Directors, officers, employees, service providers (the "**Service Provider Participants**") or employees of any entity directly or indirectly controlling or controlled by the Company through voting or contractual arrangement, or directly or indirectly under common control with the Company (the "**Related Entities**"), as determined by our Board from time to time, are eligible to participate in the 2019 Performance Share Unit Plan. In particular, the Service Provider Participants refer to the persons who have been and continue to provide the Company with services beneficial to its long-term development in the ordinary course of business, including the persons who provide the Company with consulting services and business cooperation services. In assessing whether the Service Provider Participants' eligibility to participate in the 2019 Performance Share Unit Plan, the Board shall take into account the nature and length of services provided as well as the long-term interests of the Company.

The eligibility of Service Provider Participants to participate in the 2019 Performance Share Unit Plan is consistent with the purpose of the 2019 Performance Share Unit Plan. The Service Provider Participants, by holding on to equity incentives, will benefit from our long term growth. It encourages the Service Provider Participants to contribute to the Group and aligns the interest of the Service Provider Participants with our interests.

(c) Maximum Numbers of Shares

The maximum aggregate number of shares authorized and reserved under the 2019 Performance Share Unit Plan is 15,000,000 ordinary Shares.

The total number of Shares which may be issued upon the vesting or exercise of all performance share units and options that may be granted pursuant to the 2019 Performance Share Unit Plan and any other share incentive scheme(s) of the Company in aggregate is 45,644,803 Shares, representing less than 10% of the total number of issued and outstanding Shares as of the date of the EGM.

The total number of Shares which may be issued pursuant to awards to be granted to the Service Provider Participants under the 2019 Performance Share Unit Plan is 3,000,000 Shares, being 0.3% of the total number of issued and outstanding Shares immediately upon the Listing (assuming there is no change in the issue and outstanding Shares between the Latest Practicable Date and the Listing Date).

(d) *Maximum Entitlement of a Grantee*

Upon the Listing, unless approved by the Shareholders in general meeting in the manner set out in the applicable rules of the stock exchange where the Shares or ADSs are listed, the total number of Shares issued and to be issued upon the vesting or exercise of all awards and options granted and to be granted under the 2019 Performance Share Unit Plan and any other share incentive scheme(s) of the Company to each eligible participant (excluding any lapsed award) in any 12-month period shall not exceed 1% of the total number of issued and outstanding Shares.

(e) *Plan Administration*

The 2019 Performance Share Unit Plan shall be administrated by the Board. The Board shall determine the participants to receive performance share units, the number of performance share units to be granted, the time and number of performance share units to be unlocked, and other terms and conditions of each grant. The Board may delegate authority to a director, a committee of the board, or other designated person (the “**Plan Administrator**”) to administer the 2019 Performance Share Unit Plan.

(f) *Unlocking Schedule and Performance Target*

Unless otherwise approved by the Board, the performance share units granted shall become unlocked over a period of four years, and the maximum number of performance share units to be unlocked in each year shall be 25% of the total performance share units granted in each batch. The first unlocking date shall be the first anniversary of the date of grant (or the first anniversary of the day immediately following the date of grant if there is no anniversary of such date of grant).

The unlocking of the performance share units is subject to performance targets. In determining the number of performance share units to be unlocked in each batch, the Board shall take into account (i) the operating results of the Company and the Related Entities, (ii) the share price and (iii) the individual performance of such grantee in the most recent appraisal and the ranking of the performance of such grantee. The performance targets attached to each grant may be adjusted by the Board from time to time.

(g) *Validity of Performance Share Units*

Any performance share units granted under the 2019 Performance Share Unit Plan shall remain valid for ten years from the date of grant (the “**PSU Validity Period**”). Performance share units shall lapse automatically (to the extent not already vested or lapsed) on the expiry of such term. Unless otherwise required by applicable laws or by the Board or provided by the 2019 Performance Share Unit Plan, all unlocked performance share units may be purchased by the grantee from an initial date of vesting to the end of the PSU Validity Period. The Board shall determine the specific initial date of vesting, which shall be a date no earlier than six months after the date of the listing of the ADSs on the NYSE but no later than eight years after the date of grant.

(h) Voting, Transfer and Dividend Rights

Until a grantee is registered as a Shareholder upon vesting of the performance share unit, such grantee shall not be entitled to any shareholders' rights (including right to vote or receive dividends or transfer the Shares and liquidation right) or interests attached to any Share underlying the performance share units under the 2019 Performance Share Unit Plan.

A grantee shall not be entitled to any rights more superior to other Shareholders ranking *pari passu* with respect to the Shares issued to such grantee upon vesting of the performance share units.

(i) Transfer Restriction

Unless otherwise provided by applicable laws and agreed by the Board, a grantee shall not pledge, transfer or dispose of the performance share units in any other way during the PSU Validity Period.

(j) Grant of Awards to Directors, Chief Executives or Substantial Shareholders of the Company

Upon the Listing, any grant of performance share units to our Director, chief executive or substantial shareholder, or any of their respective associates pursuant to the 2019 Performance Share Unit Plan must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of such options).

In addition, upon the Listing, where any grant of performance share units or options to our independent non-executive Director or substantial shareholder, or any of their respective associates, would result in the Shares issued and to be issued in respect of all performance share units and options granted (excluding any performance share units and options lapsed in accordance with the terms of the 2019 Performance Share Unit Plan and any other share incentive scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of issued and outstanding Shares, such further grant of options or awards must be approved by the Shareholders in general meeting in the manner set out in the Listing Rules.

Furthermore, upon the Listing, where any grant of performance share units or options to our Director (excluding independent non-executive Director) or chief executive, or any of their respective associates, would result in the Shares issued and to be issued in respect of all performance share units and options granted (excluding any performance share units and options lapsed in accordance with the terms of the 2019 Performance Share Unit Plan and any other share incentive scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of options or awards must be approved by the Shareholders in general meeting in the manner set out in the Listing Rules.

(k) Awards

Each grant of performance share units shall be designated in a grant letter issued by the Company to a grantee. Each grant shall be subject to all applicable terms and conditions of the 2019 Performance Share Unit Plan and the relevant grant letter shall set forth the terms for each award.

(l) Term of the 2019 Performance Share Unit Plan

The 2019 Performance Share Unit Plan has a term of ten years.

(m) Clawback

Unless otherwise specified by the plan, in the event of any participant's termination or expiration of his/her employment or contractual engagement with the Group for any reason prior to or within the six months upon the initial public offering, all of the performance share units which are granted to such participant but not yet vested, regardless of whether such options have been unlocked or not, shall be canceled without any compensation. Unless otherwise specified by the plan, in the event of any participant's termination or expiration of his/her employment or contractual engagement with the Group for any reason after the six months upon the initial public offering, all of the performance share units which are granted to such participant and unlocked shall be vested with ninety (90) vesting days as determined by the Company, or otherwise surrendered to the Company without any compensation.

In the event of any participant's misconduct during the employment, the Company or any other authority designated by the Board may dispose the awards granted to such participants on a case-by-case basis, including but not limited to: (i) the Company or any other authority designated by the Board may, without any compensation, cancel all or part of the performance share units which are granted to such participant but not yet vested, regardless of whether such performance share units have been unlocked or not; and (ii) if the performance share units granted have been vested, the Company or any other authority designated by the Board may at any time, but is not obligated to, repurchase all or part of the Shares or related rights issued to the grantee upon the vesting of the performance share units at the fair market value of the Shares (as determined by the Board).

Upon the occurrence of a competition event (namely, a grantee (i) becomes a shareholder, director, officer, employee, consultant or partner of any competitor of the Company or Related Entities; or (ii) engages in any act that may advantage the competitor): (i) if, during his or her employment or within 3 years after the termination of such employment, a grantee engages in any competing activity without the written consent of the Company or the relevant Related Entity, all the performance share units (whether unlocked or not) held by the grantee shall be canceled without any compensation; and (ii) if the performance share units granted have vested, the Company or any other authority designated by the Board may at any time, but is not obligated to, repurchase all or part of the Shares or related rights issued to the grantee upon the vesting of the performance share units at the fair market value of the Shares (as determined by the Board).

(n) Lapse of Performance Share Units

An performance share unit issued under the 2019 Performance Share Unit Plan shall lapse automatically after the expiration of the PSU Validity Period.

(o) Amendment and Termination

Unless otherwise provided by the 2019 Performance Share Unit Plan or the applicable rules of the stock exchange where the Shares or ADSs are listed, the Board in general has a right but is not obligated to amend the 2019 Performance Share Unit Plan (including without limitation, amendments in order to comply with changes in legal or regulatory requirements or facilitate our business needs) at any time and such decision shall be unconditionally binding on all eligible participants. Notwithstanding the above, Shareholders' approval is required for any change to be made to (i) the material terms of the 2019 Performance Share Unit Plan, (ii) the terms of the 2019 Performance Share Unit Plan relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the participants, or (iii) the authority of the Board or the Plan Administrator to amend the terms of the plan.

The Board may decide to terminate the 2019 Performance Share Units Plan before the expiry of its term, following which no further awards will be offered or granted thereunder. Notwithstanding such termination, the outstanding performance share units granted under the 2019 Performance Share Unit Plan may continue to be unlocked and/or vested pursuant to the terms of the grant.

(p) Alterations in the Capital Structure of the Company

In the event of any alteration in the capital structure of the Company by way of capitalization issue, subdivision or consolidation of Shares, rights issue or reduction of the share capital of the Company (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), the Board may make such corresponding adjustments with respect to the numbers and prices of performance share units and/or Shares, to ensure that (i) any such adjustments should give each grantee the same proportion of the equity capital of the Company, rounded to the nearest whole Share, as that to which that grantee was previously entitled prior to such adjustments, and (ii) no such adjustments shall be made which would result in a Share being issued at less than its nominal value. Except for the adjustments resulting from the capitalization issue, any other adjustment shall be confirmed in writing by the independent financial advisor or the auditors that such adjustment complies with the terms and conditions of the 2019 Performance Share Unit Plan. Subject to the applicable rules of the stock exchange where the Shares or ADSs are listed, the determination by the Board shall be final and binding.

(q) Inside Information

Upon the Listing, we will not grant any performance share units in the following circumstances: (i) after inside information has come to our knowledge until (and including) the trading day after we have announced the information; (ii) during the period commencing one month immediately before the earlier of (a) the date of the Board meeting (or such date is first notified to the Stock Exchange under the Listing Rules) for approving our results for any year, half-year, quarterly or any other interim period; and (b) the deadline for us to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period, and ending on the date of the results announcement. No performance share units will be granted by our Company during any period of delay in publishing a results announcement.

Outstanding Options and Unvested Performance Share Units under Share Incentive Plans

As of the Latest Practicable Date, the number of underlying Shares pursuant to the outstanding options granted under the 2014 Share Incentive Plan and the 2015 Share Incentive Plan amounted to 14,226,039 Shares, representing approximately 1.24% of the issued and outstanding Shares immediately following the completion of the Listing (assuming no changes to our issued and outstanding share capital between the Latest Practicable Date and the Listing). As of the Latest Practicable Date, the outstanding options were held by 364 grantees. The exercise price of the options granted under the 2014 Share Incentive Plan and the 2015 Share Incentive Plan is ranging from RMB8 per share to RMB118 per share. Assuming full vesting and exercise of all outstanding options granted under the 2014 Share Incentive Plan and the 2015 Share Incentive Plan, the issued and outstanding shareholding of the Shareholders immediately following completion of the Listing will be diluted by approximately 1.24%. The dilution effect on our earnings per Share would be approximately 1.22%.

As of the Latest Practicable Date, the number of underlying Shares pursuant to the unvested performance share units granted under the 2019 Performance Share Unit Plan amounted to 2,271,573 Shares, representing approximately 0.2% of the issued and outstanding Shares immediately following the completion of the Listing (assuming no changes to our issued and outstanding share capital between the Latest Practicable Date and the Listing). As of the Latest Practicable Date, the outstanding performance share units were held by 370 grantees under the 2019 Performance Share Unit Plan. The purchase price of the performance share units granted under the 2019 Performance Share Unit Plan is nil per Share.

Assuming 16,497,612 Shares will be issued upon the full vesting and exercise or unlocking and vesting (as applicable) of all outstanding options and performance share units granted under the Share Incentive Plans, the shareholding of the Shareholders immediately following completion of the Listing will be diluted by approximately 1.44%. The dilution effect on our earnings per Share would be approximately 1.42%.

The following table summarizes, as of the Latest Practicable Date, the number of Shares underlying outstanding options that we granted to our Directors and senior management pursuant to the Share Incentive Plans.

<u>Name of grantee</u>	<u>Position</u>	<u>Exercise price for options (per Share in RMB)</u>	<u>Date of grant</u>	<u>Date of expiration</u>	<u>Vesting period</u>	<u>Shares underlying the outstanding options granted</u>	<u>Approximate percentage of issued and outstanding Shares immediately after completion of Listing ⁽²⁾</u>
Yong Suk CHO (趙容爽)	Chairman of the Board and Chief Executive Officer	98.06 – 118.0	April 8, 2016 and December 29, 2017	April 8, 2026 and December 29, 2027	4 years	500,000	0.04%
Gregory Dean GIBB (計葵生)	Executive Director and Co-Chief Executive Officer	8.0 – 98.06	December 22, 2014 to April 1, 2017	December 22, 2024 to April 1, 2027	4 years	557,209.5	0.05%
Dongqi CHEN (陳東起)	General Manager	98.06	August 1, 2016	August 1, 2026	4 years	300,000	0.03%
Youn Jeong LIM (林允禎)	Chief Risk Officer	98.06	August 1, 2016	August 1, 2026	4 years	300,000	0.03%
Jinliang MAO (毛進亮)	Chief Technology Officer	50.0 – 118.00	August 14, 2015 to December 29, 2017	August 14, 2025 to December 29, 2027	4 years	427,266	0.04%
Total:						<u>2,084,475.5</u>	<u>0.19%</u>

Notes:

- (1) No consideration is required to be paid for the grant of options.
- (2) Assuming no changes to our issued and outstanding share capital between the Latest Practicable Date and the Listing Date.

The following table summarizes, as of the Latest Practicable Date, the number of Shares underlying outstanding performance share units that we granted to our Directors and senior management pursuant to the Share Incentive Plans.

<u>Name of grantee</u>	<u>Position</u>	<u>Date of grant</u>	<u>Date of expiration</u>	<u>Unlocking period</u>	<u>Shares underlying the unvested performance share units granted</u>	<u>Approximate percentage of issued and outstanding Shares immediately after completion of Listing ⁽²⁾</u>
Yong Suk CHO (趙容爽)	Chairman of the Board and Chief Executive Officer	November 1, 2020	November 1, 2030	4 years	27,150	0.002%
Gregory Dean GIBB (計葵生)	Executive Director and Co-Chief Executive Officer	November 1, 2020	November 1, 2030	4 years	54,017	0.005%
Guangheng JI (冀光恒)	Non-executive Director	April 1, 2020 and November 1, 2020	April 1, 2030 and November 1, 2030	4 years	428,975	0.04%
Dongqi CHEN (陳東起)	General Manager	November 1, 2020	November 1, 2030	4 years	28,692	0.003%
Youn Jeong LIM (林允禎)	Chief Risk Officer	November 1, 2020	November 1, 2030	4 years	29,100	0.003%
David Siu Kam CHOY (徐兆感)	Chief Financial Officer	June 3, 2020 and November 1, 2020	June 3, 2030 and November 1, 2030	4 years	42,975	0.004%
Jinliang MAO (毛進亮)	Chief Technology Officer	November 1, 2020	November 1, 2030	4 years	11,639	0.001%
Total:					<u>622,548</u>	<u>0.05%</u>

Notes:

- (1) No consideration is required to be paid for the grant of performance share units.
- (2) Assuming no changes to our issued and outstanding share capital between the Latest Practicable Date and the Listing Date.

As of the Latest Practicable Date, our employees (who are not Directors or members of senior management of the Company) and consultants as a group held options and performance share units to purchase 13,790,588.5 Shares, with exercise prices ranging from RMB8 per Share to RMB118 per Share for outstanding options. The tables below show the details of the outstanding options and unvested performance share units granted to other grantees (who are not Directors or members of the senior management of the Company) under the Share Incentive Plans:

<u>Name of grantee</u>	<u>Exercise price for options (per Share in RMB)</u>	<u>Date of grant</u>	<u>Date of expiration</u>	<u>Vesting period</u>	<u>Shares underlying the outstanding options granted</u>	<u>Approximate percentage of issued and outstanding Shares immediately after completion of Listing ⁽²⁾</u>
Other Employees ⁽³⁾	8.00 – 118.00	August 16, 2014 to November 27, 2018	August 16, 2024 to November 27, 2028	1 year to 4 years	9,971,710.5	0.9%
Consultants	8.00 – 118.00	December 22, 2014 to March 19, 2018	December 22, 2024 to March 19, 2028	4 years	2,169,853	0.2%
Total:					<u>12,141,563.5</u>	<u>1.1%</u>

<u>Name of grantee</u>	<u>Date of grant</u>	<u>Date of expiration</u>	<u>Unlocking period</u>	<u>Shares underlying the unvested performance share units granted</u>	<u>Approximate percentage of issued and outstanding Shares immediately after completion of Listing ⁽²⁾</u>
Other Employees ⁽³⁾	May 1, 2020 to October 1, 2021	May 1, 2030 to October 1, 2031	4 years	1,295,378	0.1%
Consultants	May 1, 2020 to September 1, 2021	May 1, 2030 to September 1, 2031	4 years	353,647	0.03%
Total:				<u>1,649,025</u>	<u>0.14%</u>

Notes:

- (1) No consideration is required to be paid for the grant of options and the grant of performance share units.
- (2) Assuming no changes to our issued and outstanding share capital between the Latest Practicable Date and the Listing Date.
- (3) Only employees of the Group who are not Directors or members of senior management of the Company are included.

E. UNDERTAKING BY OUR COMPANY AND CONTROLLING SHAREHOLDERS TO THE STOCK EXCHANGE**1. Undertaking by the Company**

Pursuant to Rule 10.08 of the Hong Kong Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued by the Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except under any of the circumstances provided under Rule 10.08 of the Hong Kong Listing Rules.

2. Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Hong Kong Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirements of the Hong Kong Listing Rules:

- (1) in the period commencing on the date by reference to which disclosure of its holding of Shares is made in this listing document and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this listing document to be the beneficial owner; or
- (2) in the period of six months commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any such Shares in respect of which it is shown by this listing document to be the beneficial owner if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Hong Kong Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that during the First Six-Month Period and the Second Six Months:

- (1) if it pledges or charges the Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance) for a bona fide commercial loan, it will immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) if it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, it will immediately inform the Company of such indications.

F. OTHER INFORMATION**1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of our subsidiaries under the Laws of Hong Kong, the Cayman Islands and the PRC.

2. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Incentive Plans or upon the conversion of the outstanding Convertible Promissory Notes.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US\$1,500,000 for acting as the sponsor for the Listing.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

<u>Name</u>	<u>Qualification</u>
J.P. Morgan Securities (Far East) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Morgan Stanley Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
UBS Securities Hong Kong Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
Haiwen & Partners	PRC legal adviser
Maples and Calder (Hong Kong) LLP	Cayman Islands legal adviser

<u>Name</u>	<u>Qualification</u>
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
China Insights Industry Consultancy Limited	Industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in the Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Bilingual Document

The English language and Chinese language versions of this document are being published separately.

6. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of the Company.

7. Disclaimers

- (a) Save as disclosed in “History and Corporate Structure,” “Financial Information,” Appendix I and the section headed “—D. Share Incentive Plans” in this section, within the two years immediately preceding the date of this document:
- (i) there are no commissions for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of the Company; and
 - (ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in “—Other Information—Consents of Experts” received any such payment or benefit.
- (b) Save as disclosed in “History and Corporate Structure,” “Financial Information,” Appendix I and the section headed “—D. Share Incentive Plans” in this section:
- (i) there are no founder, management or deferred shares nor any debentures in the Company or any member of our Group;
 - (ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;

- (iii) none of our Directors or experts named in “—Other Information—Consents of Experts” above, have any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iv) there are no bank overdrafts or other similar indebtedness by the Company or any member of our Group;
- (v) there are no hire purchase commitments, guarantees or other material contingent liabilities of the Company or any member of our Group;
- (vi) there are no outstanding debentures of the Company or any member of our Group;
- (vii) there are no arrangements under which future dividends are waived or agreed to be waived;
- (viii) there were no significant interruptions in the business of our Group which may have or have had a significant effect on our financial position in the last 12 months;
- (ix) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;
- (x) there are no restrictions affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong; and
- (xi) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

A waiver from strict compliance with Rule 10.06(5) of the Listing Rules has been granted to the Company. See “*Waivers—Share Repurchase and Treasury Shares*” for further details. As part of the waiver, the Company has agreed with the Stock Exchange a set of modifications to the Listing Rules necessary to enable the Company to retain the 57,397,114 treasury shares (the “**Treasury Shares**”), which comprised (i) 54,954,754 Shares underlying the 109,909,508 ADSs repurchased by the Company pursuant to the share repurchase programs authorized by the Board, and (ii) 2,442,360 Shares issued to the Depository for bulk issuance of 4,884,720 ADSs reserved for further issuances upon the exercise or vesting of options or awards granted under the Share Incentive Plans.

The full text of the Listing Rules can be located on the Stock Exchange’s website at <http://www.hkex.com.hk/eng/rulesreg/listrules/mbrules/listrules.htm>. The amendments and insertions which have been made to the Listing Rules are set out below.

1. CHAPTER 1

The definition of “market capitalization” is amended to read: “the market value of the entire size of an issuer, which shall include all classes of securities of the issuer (**other than treasury shares**), irrespective of whether any of such class(es) of securities are unlisted, or listed on other regulated market(s)”.

The definition of “treasury shares” is inserted to mean: “shares underlying American Depository Shares of an issuer repurchased by the issuer from the open market before its listing on the Exchange pursuant to the share repurchase programs of the issuer and shares issued to the depository before the listing of the issuer on the Exchange for bulk issuance of American Depository Shares reserved for further issuances upon the exercise or vesting of options or awards granted under a share incentive plan”.

2. CHAPTER 2

Rule 2.03(4) is amended to read: “all holders of listed securities are treated fairly and equally (**disregarding for these purposes the holder of any treasury shares**)”.

3. CHAPTER 3

Rule 3.13(1) is amended to read: “holds more than 1% of the number of issued shares of the listed issuer (**excluding treasury shares**)”.

4. CHAPTER 4

Rule 4.04(8) is amended to read: “the earnings per share (**which, for the avoidance of doubt, will not take account of treasury shares**) and the basis of computation...”.

Rule 4.29(8) is amended to read: “Where pro forma earnings per share information is given for a transaction which includes the issue of securities, the calculation is to be based on the weighted average number of shares outstanding during the period (**other than treasury shares**), adjusted as if that issue had taken place at the beginning of the period.”

5. CHAPTER 6

Note (1) to rules 6.03, 6.05 and 6.08 is amended to read: “*The Exchange is under an obligation to maintain an orderly and fair market for the trading of all Exchange listed securities and listed securities (other than treasury shares) should be continuously traded save in exceptional circumstances.*”

Rule 6.15(1) is amended to read: “after a general offer a right to compulsory acquisition is exercised pursuant to applicable laws and regulations (the requirements of which are, where the issuer is not a company incorporated in Hong Kong, at least as onerous as those applicable if it were) resulting in the acquisition of all the listed securities of the issuer (other than treasury shares); or”.

6. CHAPTER 7

Rule 7.18 is amended to read: “A rights issue is an offer by way of rights to existing holders of securities (other than the holder of any treasury shares) which enables those holders to subscribe securities in proportion to their existing holdings.”

Rule 7.19A(1) is amended to read: “A proposed rights issue must be made conditional on minority shareholders’ approval in the manner set out in rule 7.27A if the proposed rights issue would increase either the number of issued shares (excluding treasury shares) or the market capitalization of the issuer by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the 12 month period immediately preceding the announcement of the proposed rights issue or (ii) prior to such 12 month period where dealing in respect of the shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to shareholders as part of such rights issues or open offers).”

Rule 7.23 is amended to read: “An open offer is an offer to existing holders of securities (other than the holder of any treasury shares) to subscribe securities, whether or not in proportion to their existing holdings, which are not allotted to them on renounceable documents. An open offer may be combined with a placing to become an open offer with a claw back mechanism, in which a placement is made subject to the rights of existing holders of securities (other than the holder of any treasury shares) to subscribe part or all of the placed securities in proportion to their existing holdings.”

Note 1(a) to Rule 7.27B is amended to read: “*The “theoretical diluted price” means the sum of (i) the issuer’s total market capitalization (by reference to the “benchmarked price” and the number of issued shares immediately before the issue (excluding treasury shares)) and (ii) the total funds raised and to be raised from the issue, divided by the total number of shares as enlarged by the issue (excluding treasury shares).*”

Rule 7.28 is amended to read: “A capitalisation issue is an allotment of further securities to existing shareholders (other than the holder of any treasury shares), credited as fully paid up out of the issuer’s reserves or profits, in proportion to their existing holdings, or otherwise not involving any monetary payments. A capitalization issue includes a scrip dividend scheme under which profits are capitalized.”

7. CHAPTER 8

Rule 8.08 is amended by the insertion of note 4 to rule 8.08(1) as follows: “*For the purposes of rule 8.08, treasury shares are not taken into consideration when calculating the number of shares of a class of shares in the hands of the public.*”

8. CHAPTER 10

Rule 10.06(1)(c)(i) is amended to read: “the total number and description of the shares which the issuer is authorized to purchase, provided that the number of shares which the issuer is authorized to purchase on the Exchange or on another stock exchange recognized for this purpose by the Commission and the Exchange under the Code on Share Buy-backs, may not exceed 10 per cent. of the number of issued shares of the issuer (excluding treasury shares) and the total number...”.

Rule 10.06(5) is amended to read: “The listing of all shares which are purchased by an issuer (whether on the Exchange or otherwise) shall be automatically canceled upon purchase and the issuer must apply for listing of any further issues of that type of shares in the normal way. The issuer shall ensure that the documents of title of purchased shares (other than documents of title relating to treasury shares) are canceled and destroyed as soon as reasonably practicable following settlement of any such purchase.”

Rule 10.06 is amended by the insertion of a note to rule 10.06(5) as follows: “*Note: For the avoidance of doubt, treasury shares held by an issuer will not be canceled upon the listing of the issuer on the Exchange.*”

9. CHAPTER 13

Rule 13.25A(3) is amended by the insertion of the following: “(a) the event, either individually or when aggregated with any other events described in that rule which have occurred since the listed issuer published its last monthly return under rule 13.25B or last return under this rule 13.25A (whichever is the later), results in a change of 5% or more of the listed issuer’s issued shares (excluding treasury shares); or”.

Rule 13.25A(4) is amended by the insertion of the following: “For the purposes of rule 13.25A(3), the percentage change in the listed issuer’s issued shares is to be calculated by reference to the listed issuer’s total number of issued shares (excluding treasury shares) as it was immediately before the earliest relevant event which has not been disclosed in a monthly return published under rule 13.25B or a return published under this rule 13.25A.”

Rule 13.36(2)(b) is amended to read: “...subject to a restriction that the aggregate number of securities allotted or agreed to be allotted must not exceed the aggregate of (i) 20% of the number of issued shares of the issuer (excluding treasury shares) as at the date of the resolution granting the general mandate (or in the case of a scheme of arrangement involving an introduction in the circumstances set out in rule 7.14(3), 20% of the number of issued shares of an overseas issuer (excluding treasury shares) following the

implementation of such a scheme) and (ii) the number of such securities repurchased by the issuer itself since the granting of the general mandate (up to a maximum number equivalent to 10% of the number of issued shares of the issuer (**excluding treasury shares**) as at the date of the resolution granting the repurchase mandate), provided that the existing shareholders of the issuer have by a separate ordinary resolution in general meeting given a general mandate to the directors of the issuer to add such repurchased securities to the 20% general mandate; or”

Note 3 to Rule 13.36(2)(b) is amended to read: *“If the issuer conducts a share consolidation or subdivision after the issue mandate has been approved in general meeting, the maximum number of securities that may be issued under the mandate as a percentage of the total number of issued shares (**excluding treasury shares**) at the date immediately before and after such consolidation or subdivision shall be the same.”*

Rule 13.84(1) is amended to read: “the IFA group and any director or close associate of a director of the independent financial adviser holds, directly or indirectly, in aggregate more than 5% of the number of issued shares of the issuer (**excluding treasury shares**), another party to the transaction...”.

10. CHAPTER 14

Rule 14.07(5) is amended to read: “Equity capital ratio—the number of shares to be issued by the listed issuer as consideration divided by the total number of the listed issuer’s issued shares (**excluding treasury shares**) immediately before the transaction.”

Rule 14.81(3) is amended to read: “a prominent and legible statement in the following form: “The Stock Exchange of Hong Kong Limited (the “Exchange”) has stated that if, at the close of the offer, less than the minimum prescribed percentage applicable to the listed issuer, being [] % of the issued shares (**excluding treasury shares**), are held by the public...”.

11. CHAPTER 15

Rule 15.02(1) is amended to read: “the securities to be issued on exercise of the warrants must not, when aggregated with all other equity securities which remain to be issued on the exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed twenty per cent. of the number of issued shares of the issuer (**excluding treasury shares**) at the time such warrants are issued...”.

12. CHAPTER 17

Rule 17.03B(1) is amended to read: “The scheme mandate limit must not exceed 10% of the relevant class of shares of the listed issuer in issue (**excluding treasury shares**) as at the date of approval of the scheme (alternatively, in respect of a scheme of a new applicant that will become effective only upon its separate listing, the 10% limit may be calculated by reference to the relevant class of shares of the applicant in issue (**excluding treasury shares**) as at the date of its listing).”.

Note (2) to rule 17.03B(2) is amended to read: “*If the listed issuer conducts a share consolidation or subdivision after the scheme mandate limit or the service provider sublimit has been approved in general meeting, the maximum number of shares that may be issued in respect of all options and awards to be granted under all of the schemes of the listed issuer under the scheme mandate limit or the service provider sublimit as a percentage of the total number of issued shares (excluding treasury shares) at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole share.*”.

Rule 17.03C(1)(c) is amended to read: “The requirements under paragraphs (i) and (ii) of rule 17.03C(1)(b) do not apply if the refreshment is made immediately after an issue of securities by the issuer to its shareholders on a pro rata basis as set out in rule 13.36(2)(a) such that the unused part of the scheme mandate (as a percentage of the relevant class of shares in issue (excluding treasury shares)) upon refreshment is the same as the unused part of the scheme mandate immediately before the issue of securities, rounded to the nearest whole share.”.

Rule 17.03C(2) is amended to read: “The total number of shares which may be issued in respect of all options and awards to be granted under all of the schemes of the listed issuer under the scheme mandate as “refreshed” must not exceed 10% of the relevant class of shares in issue (excluding treasury shares) as at the date of approval of the refreshed scheme mandate. The listed issuer must send a circular to its shareholders containing the number of options and awards that were already granted under the existing scheme mandate limit and the existing service provider sublimit (if any), and the reason for the “refreshment”.”.

Rule 17.03D(1) is amended to read: “Where any grant of options or awards to a participant would result in the shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of shares of the listed issuer in issue (excluding treasury shares) (the **1% individual limit**), such grant must be separately approved by shareholders of the listed issuer in general meeting with such participant and his/her close associates (or associates if the participant is a connected person) abstaining from voting. The listed issuer must send a circular to the shareholders.”.

Rule 17.04(2) is amended to read: “Where any grant of awards (excluding grant of options) to a director (other than an independent non-executive director) or chief executive of the issuer, or any of their associates would result in the shares issued and to be issued in respect of all awards granted (excluding any awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the relevant class of shares in issue (excluding treasury shares), such further grant of awards must be approved by shareholders of the listed issuer in general meeting in the manner set out in rule 17.04(4).”.

Rule 17.04(3) is amended to read: “Where any grant of options or awards to an independent non-executive director or a substantial shareholder of the listed issuer, or any of their respective associates, would result in the shares issued and to be issued in respect of all options and awards granted (excluding

any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of shares in issue (**excluding treasury shares**), such further grant of options or awards must be approved by shareholders of the listed issuer in general meeting in the manner set out in rule 17.04(4).”.

Rule 17.06A(2)(c) is amended to read: “a related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue (**excluding treasury shares**).”.

Rule 17.07 is amended to read: “The listed issuer must disclose in its annual report and interim report the following information in relation to options and awards granted and to be granted under its share scheme(s) to: (i) each of the directors, chief executive or substantial shareholders of the listed issuer, or their respective associates; (ii) each participant with options and awards granted and to be granted in excess of the 1% individual limit; (iii) each related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue (**excluding treasury shares**); and (iv) other employee participants, related entity participants and service providers by category:”

13. APPENDIX 1B

Paragraph 26(1)(b)(v) of Appendix 1B is amended to read: “a statement of the interests of any of the directors; their close associates; or any shareholder (which to the knowledge of the directors owns more than 5% of the number of issued shares of the issuer (**excluding treasury shares**)) in the suppliers or customers disclosed under (i) to (iv) above or if there are no such interests a statement to that effect;”.

14. APPENDIX 2B

Paragraph 5(2) of Appendix 2B is amended to read: “if any such class (other than the preference or preferred shares so described) is a class the holders of which are not entitled to vote at general meetings of the issuer, the words “non-voting” must appear legibly on every certificate therefor issued by the issuer. **For the avoidance of doubt, this rule shall not apply to treasury shares, which shall be non-voting; and**”.

15. APPENDIX 5

The Company will amend the relevant forms contained in Appendix 5 to the extent necessary (if at all) as and when it is required to submit such forms pursuant to the Stock Exchange’s Listing Rules.

When appropriate, the Company will amend paragraph (3) of the sponsor’s declaration in Form E as follows: “25% of the total number of issued shares of the Issuer (**excluding treasury shares**) [have been placed/will be held] in the hands of the public in accordance with rule 8.08...”.

16. APPENDIX 16

Paragraph 4(3) of Appendix 16 is amended to read: “Rates of dividend paid or proposed on each class of shares **(which, for the avoidance of doubt will not take account of treasury shares)** (with particulars of each such class) and amounts absorbed thereby (or an appropriate negative statement).”

Paragraph 31(5) of Appendix 16 is amended to read: “a statement of the interests of any of the directors; their close associates; or any shareholder (which to the knowledge of the directors owns more than 5% of the number of issued shares of the listed issuer **(excluding treasury shares)**) in the suppliers or customers disclosed under (1) to (4) above or if there are no such interests a statement to that effect;”

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at ir.lufaxholding.com during a period of 14 days from the date of this document:

- (a) the Memorandum and the Articles;
- (b) the Accountant's Report and the report on the unaudited pro forma financial information of the Group from PricewaterhouseCoopers, the texts of which are set out in Appendices I and II;
- (c) the audited consolidated financial statements of the Group for each of the fiscal years ended December 31, 2020, 2021 and 2022;
- (d) the PRC legal opinions issued by Haiwen & Partners, our legal adviser as to PRC law, in respect of certain general corporate matters and property interests in the PRC of the Group;
- (e) the industry report issued by CIC, the summary of which is set forth in the section headed "Industry Overview" in this document;
- (f) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal adviser on Cayman Islands law, summarizing the constitution of the Company and certain aspects of Cayman Islands law referred to in Appendix III;
- (g) the Cayman Companies Act;
- (h) the written consents referred to under the section headed "Statutory and General Information—Other Information—Consents of Experts" in Appendix IV;
- (i) the material contracts referred to in "Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts" in Appendix IV;
- (j) the service contracts with our Directors referred to in "Statutory and General Information—C. Further Information about Our Directors and Substantial Shareholders—1. Particulars of Directors' service contracts" in Appendix IV; and
- (k) the terms of each of the 2014 Share Incentive Plan and the 2019 Performance Share Unit Plan.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of grantees under the Share Incentive Plans, containing all details as required under the Listing Rules, will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document.



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