

# 51信用卡

## 51 CREDIT CARD INC.

*(Incorporated in the Cayman Islands with limited liability)*

Stock code: 2051



Joint Sponsors



**CMS** 招商證券國際

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



**CMS** 招商證券國際

**CLSA** A CITIC Securities Company

Joint Bookrunners and Joint Lead Managers



Joint Lead Manager



## IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

# 51信用卡

## 51 CREDIT CARD INC.

### 51信用卡有限公司

(Incorporated in the Cayman Islands with limited liability)

## GLOBAL OFFERING

|                                                  |                                                                                                                                                                                                                    |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number of Offer Shares under the Global Offering | : 118,703,000 Shares (subject to the Over-allotment Option)                                                                                                                                                        |
| Number of Hong Kong Offer Shares                 | : 11,871,000 Shares (subject to reallocation)                                                                                                                                                                      |
| Number of International Offer Shares             | : 106,832,000 Shares (subject to reallocation and the Over-allotment Option)                                                                                                                                       |
| Maximum Offer Price                              | : HK\$11.50 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund) |
| Nominal value                                    | : US\$0.00001 per Share                                                                                                                                                                                            |
| Stock code                                       | : 2051                                                                                                                                                                                                             |

### Joint Sponsors



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



### Joint Bookrunners and Joint Lead Managers



### Joint Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix V—Documents Delivered to the Registrar of Companies and Available for Inspection" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, July 6, 2018 and, in any event, not later than Thursday, July 12, 2018. The Offer Price will be not more than HK\$11.50 and is currently expected to be not less than HK\$8.50. If, for any reason, the Offer Price is not agreed by Thursday, July 12, 2018 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.u51.com](http://www.u51.com) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further information, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) in the United States to qualified institutional buyers in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

Friday, June 29, 2018

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Hong Kong Public Offering commences and **WHITE** and

**YELLOW** Application Forms available from . . . . . 9:00 a.m. on Friday, June 29, 2018

Latest time for completing electronic applications under

the **HK eIPO White Form** service through the

designated website at [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(2)</sup> . . . . . 11:30 a.m. on Friday, July 6, 2018

Application lists open<sup>(3)</sup> . . . . . 11:45 a.m. on Friday, July 6, 2018

Latest time for (a) lodging **WHITE** and **YELLOW**

Application Forms, (b) completing payment for **HK**

**eIPO White Form** applications by effecting internet  
banking transfer(s) or PPS payment transfer(s) and (c)

giving **electronic application instructions** to

HKSCC<sup>(4)</sup> . . . . . 12:00 noon on Friday, July 6, 2018

Application lists close<sup>(3)</sup> . . . . . 12:00 noon on Friday, July 6, 2018

Expected Price Determination Date . . . . . Friday, July 6, 2018

Announcement of (1) the Offer Price, (2) the level of  
indications of interest in the International Offering, (3)

the level of applications in the Hong Kong Public  
Offering and (4) the basis of allocations of the Hong  
Kong Offer Shares to be published in the South China  
Morning Post (in English) and the Hong Kong

Economic Times (in Chinese) on or before . . . . . Thursday, July 12, 2018

An announcement of results of allocations in the Hong  
Kong Public Offering (including successful applicants’  
identification document numbers, where appropriate)  
will be available through a variety of channels

(including the website of the Hong Kong Stock  
Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s  
website at [www.u51.com](http://www.u51.com)<sup>(5)</sup> (see “How to Apply for  
Hong Kong Offer Shares — Applications for Hong

Kong Offer Shares — Publication of Results”) from . . . . . Thursday, July 12, 2018

Results of allocations in the Hong Kong Public Offering  
will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with

a “search by ID” function from . . . . . Thursday, July 12, 2018

Share certificates in respect of wholly or partially

successful applications to be despatched or deposited

into CCASS on or before<sup>(6)</sup> . . . . . Thursday, July 12, 2018

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## EXPECTED TIMETABLE<sup>(1)</sup>

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### HK eIPO White Form e-Auto Refund payment

instructions/refund cheques in respect of wholly or  
partially unsuccessfully applications to be despatched

on or before<sup>(6)</sup> ..... Thursday, July 12, 2018

### Dealings in the Shares on the Stock Exchange expected

to commence at 9.00 a.m. on ..... Friday, July 13, 2018

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#### Notes:

- (1) All dates and times refer to Hong Kong dates and times.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, July 6, 2018, the application lists will not open and close on that day. See “How to Apply for Hong Kong Offer Shares.”
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should see “How to Apply for Hong Kong Offer Shares — Applications for Hong Kong Offer Shares — Applying by giving **Electronic Application Instructions** to HKSCC via CCASS.”
- (5) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (6) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Friday, July 13, 2018, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares”, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

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### IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are the largest P2P lending platform targeting credit card holders in China as measured by loan facilitation volume in 2017, according to the Oliver Wyman Report. We also operate the largest online credit card management platform in China as measured by MAU in each of 2015, 2016 and 2017, according to the Oliver Wyman Report.

The average MAU of our credit card platform for 2015, 2016 and 2017 was 3.5 million, 4.6 million and 5.9 million, respectively, representing a CAGR of 29.0% and the MAU for December 2017 reached 7.0 million. Launched in 2012, we are the first online credit card management platform in China, according to the Oliver Wyman Report, offering highly demanded services such as managing multiple credit cards across different issuing banks, new credit card application and credit card bill repayment facilitation. As of December 31, 2017, we have successfully managed a cumulative number of 106.3 million credit cards with a record of facilitating credit card repayment transactions totaling RMB108.5 billion in 2017. As of December 31, 2017, our registered users reached 62.0 million on our credit card management platform and 81.0 million across all our Apps.

We are endowed with competitive advantages by owning a highly valuable user base. Most of our credit card management users have multiple credit cards. They are credit active, accustomed to higher level of consumption and are interested in using innovative financing platforms to fulfill their evolving financial needs. In 2017, 77.6% of those who manage their credit cards on our platform had interest-bearing balance history in their credit card record.

We are the largest online credit card application platform in China in terms of the number of credit cards issued through us in 2017, according to the Oliver Wyman Report. Particularly, we offer co-branding credit cards through our in-depth cooperation with several credit card issuing banks, through which we are able to share the income generated from such co-branding credit cards with these banks for a number of years. We believe our co-branding credit cards business has a sustainable growth potential.

Through our credit card management platform, we have accumulated a vast number of highly valuable and credit active users with established credit profile. We took our business model into the next level by strategically entering into online credit facilitation and investment market in 2015. Within two years, our online consumer finance marketplace became the largest online consumer finance marketplace targeting credit card holders, as measured by loan facilitation volume in 2017, according to the Oliver Wyman Report.

We have accumulated a wealth of valuable credit data through our credit card management services for tens of millions of users, which include credit card transaction records from different banks, consumption history across different use cases, and repayment data through users' life cycle. Compared to other types of data, we believe our first-hand credit data not only reflect users' ability to repay a loan, but also their willingness in doing so and is thus more relevant for users' creditworthiness evaluation.

Building upon the vast amount of credit data generated from our credit card management platform and the high volume of transaction data from our consumer finance marketplace, we have independently developed a comprehensive credit analytics system, iCredit, to enhance our risk management capabilities. Our big data technology utilizes machine learning to build risk management models analyzing over 20 dimensions of data and more than 10,000 variables. We believe our unique data source and insight and data analytics capabilities establish an entry barrier to other market participants.

Our revenue increased at a CAGR of 402.9% from RMB89.7 million in 2015 to RMB2,268.6 million in 2017. Our adjusted operating profit or loss, which is our operating profit or loss excluding share-based compensation expenses and listing expenses, was a loss of RMB147.6 million in 2015, and a profit of RMB86.6 million and RMB777.2 million, respectively, in 2016 and 2017. Our adjusted net profit or loss, which is our net profit or loss excluding share-based compensation expenses, fair value loss of preferred shares, extinguishment gain or loss of preferred shares and finance expenses



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## SUMMARY

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related to our preferred shares and listing expenses, was a loss of RMB101.2 million in 2015 and a profit of RMB53.5 million and RMB743.8 million, respectively, in 2016 and 2017. In 2016 and 2017, our adjusted operating profit margin was 15.2% and 34.3%, respectively, and our adjusted net profit margin was 9.4% and 32.8%, respectively. Please see “Financial Information — Non-IFRS Measures” for more information.

### *Regulatory Update*

In December 2017, the PRC government authorities promulgated a number of regulations to regulate the online consumer finance industry, including Circular 141 and Circular 57.

On December 1, 2017, the Head Office for Special Rectification of Online Finance Risk and Head Office for Special Rectification of Peer-to-Peer Online Lending jointly issued the Notice on Standardization and Rectification of Cash Loans Business (《關於規範整頓「現金貸」業務的通知》(整治辦函[2017]141號)) (the “Circular 141”). The Circular 141 further regulates, among other things, that information intermediaries for online P2P lending: (i) shall not match borrowing with lending to realize direct lending on the interest rates that did not comply with relevant laws and provisions; shall not deduct the interest, commission fee, management fee or margin from the principal or setting high overdue interest, overdue fine, penalty interest, etc ; and (ii) shall not match banking financial institutions for involving in P2P online lending business.

On December 8, 2017, the Head Office for Special Rectification of Peer-to-Peer Online Lending released Notice on The Improvement and Acceptance of the Peer-to-Peer Online Lending Risk (《關於做好P2P網絡借貸風險專項整治整改驗收工作的通知》) (the “Circular 57”). The Circular 57 requires local financial regulator, local CBRC, the People’s Bank local branch, local public security, local communication administrative department and local AIC should jointly inspect and accept whether an internet lending information intermediary comply with the Interim Measures. The online lending information intermediary can only be filed records (“P2P Filing”) with the local financial regulator after receiving acceptance certificate or document issued jointly by local financial regulator and local CBRC. Normally, the P2P Filing should be completed before April 2018 according to the Circular 57, which means our Company must acquire the acceptance certificate or document from local financial regulator and local CBRC before April, 2018 and in any event not later than June 30, 2018 as currently contemplated. The Circular 57 forbids certain creditor’s right assignment models, and further requires that online lending intermediaries set up custody accounts with qualified banks that have passed certain testing and evaluation procedures run by the National Online Lending Rectification Office to hold customer funds. The Circular 57 requires that the online lending information intermediaries to discontinue to set aside additional fund as risk reserve funds or originate new risk reserve funds. In addition, the existing balance of risk reserve fund shall be gradually reduced. See “Regulatory Environment — Regulations Relating to Online Consumer Finance Services.”

In response to the regulations, we took the following actions:

- Prior to the promulgation of the new regulations, although most of the loan products we facilitated had a APR below 36%, the APR for a small amount of loan products that we facilitated exceeded 36%. To comply with the applicable requirements under the new regulations, we ceased to offer such loan products, primarily small-sized, short-term loan products, and ensured that the APR of all new loan products that we facilitated since December 2017 did not exceed 36%. In 2015, 2016 and 2017, the volume of loan products with APR exceeding 36% was nil, RMB109.0 million and RMB5,371.1 million, respectively. During the Track Record Period, our revenue contributed by the APR of the loans which is in excess of 36% was nil, RMB2.3 million and RMB84.4 million, respectively, accounting for nil, 0.4% and 3.7% of our total revenue during the same period.
- The new regulations also prohibit online lending information intermediary from deducting any loan interest or service fees from a loan principal in advance. In response, we have ceased deducting any such interest or fees from a loan principal in advance since December 2017 to comply with the new regulations, which will extend our fee collection schedule, for example, a larger portion of loan interest and fees will be collected at a later stage of the loan period. In addition, we have also set up a custody account with Bank of Beijing to hold our users’ fund since December 2017.
- Historically, we cooperated with institutions, including banks, consumer finance companies and trust, as a supplemental funding source for our loan products. In light of the recent regulatory development, we reviewed and adjusted our cooperation with institutional funding partners to comply with the new regulatory requirements. We believe that we have strong funding capabilities to serve our borrowers. In 2017, the total loan facilitation volume that were funded by institutions and trust lending arrangements was RMB6,883.4



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## SUMMARY

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million, accounting for only 20.3% of the total amount of our funding. In addition, we successfully obtained a financing guarantee license in April 2018. Institutional funding partners usually require credit enhancement in credit facilitation arrangements, and Circular 141 only allows licensed financial guarantee companies to provide such credit enhancement. Therefore, we believe obtaining a financial guarantee license will enable us to legally utilize institutional funding sources to fund the loans facilitated to our borrowers. Since the grant of the financing guarantee license in April 2018, we have resumed our cooperation with institutional funding partners.

- In addition, historically we required our borrowers to contribute to a quality assurance program which was used to compensate investors on our platform for their investment losses. In February 2018, to ensure our compliance with the new regulations, we ceased offering the quality assurance program, and we entered into a contract with an independent guarantee company to set up an investor protection program managed by the guarantee company and our borrowers are required to contribute to the investor protection program to protect our investors.

Despite the recent regulatory development summarized above, we believe our business operation will not be materially affected because (i) the volume of loan products with APR exceeding 36% and their corresponding revenue only represented a very small percentage of our total loan volume and revenue during the Track Record Period, (ii) notwithstanding a larger portion of loan interest and fees will be collected at a later stage, the total amount receivable remains unchanged (iii) the total loan facilitation volume that were funded by institutions and trust lending arrangements accounted for a small percentage of our total loan facilitation volume during the Track Record Period and we have successfully obtained a financing guarantee license as discussed above.

As of the Latest Practicable Date, we have not completed the filing and registration with local financial regulatory authorities for our online credit facilitation and investment service because such filing and registration have not been initiated by local financial regulatory authority yet. For further details, see “Business — Regulatory Matters” and “Regulatory Environment - Regulations on Online Lending Information Services.” In the event that we fail to complete the P2P filing and registration, we may be required to go through reorganization to dispose our online credit facilitation and investment services business to other companies or directly withdraw from this business operation. However, we plan to take the following contingency plan to continue our business if we eventually fail to complete the P2P filing and registration:

- Through the financing guarantee license we recently obtained, which allows us to legally utilize funding from licensed financial institutions to meet the funding needs of the borrowers at our platform under the new regulatory requirements because financial institutions usually require credit enhancement in their funding arrangement and Circular 141 only allows licensed financing guarantee company to provide such credit enhancement, we will enhance our cooperation with institutional funding partners to facilitate loans to our borrowers. Since the grant of the financing guarantee license in April 2018, we have entered into funding arrangement with eight institutional funding partners with a total credit line of RMB6.2 billion and we are in the process of entering into funding arrangement with another nine institutional funding partners with an additional credit line of RMB9.8 billion. In addition, we will seek to cooperate with other companies with such financing guarantee license to further expand the scope and scale of institutional funding sources. During the Track Record Period, we had a diversified institutional funding sources to minimize reliance on any particular funding partner. In 2017, we cooperated with 14 third party institutions to facilitate RMB6,883.4 million loan volume, which accounted for 20.3% of our total loan facilitation volume in 2017. The RMB16.0 billion credit line granted by institutional funding partners is revolving credit line valid for a term ranges from one year to three years. As a result, we believe that the financing guarantee license will enable us to expand the scale and scope of our institutional funding, which is expected to be sufficient to maintain the our loan volume level and support our business growth without any material interruption to our operation. The funding cost of institutional funding is slightly higher than P2P funding, however, we believe such increased funding costs will not have material adverse impact on our overall operation and profitability even if we are required to switch to institutional funding.
- We also plan to expand our cooperation with other online consumer finance marketplaces with requisite P2P filing and registration to direct the our borrowers to such marketplaces to satisfy their borrowing needs.

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## SUMMARY

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We are operating in a significantly uncertain regulatory environment and if we fail to comply with the relevant PRC laws and regulations, there will be material impact on our business operations and financial results. However, we believe that recent regulations also present opportunities for us in the long run through enhancing the development and consolidation of the overall online consumer finance industry, and leading market players including us will benefit from a healthier industry development driven by tightening regulations. Based on the Oliver Wyman Report, we expect that only leading market players will be able to operate in compliance with the tightening regulations and some other market participants will gradually exit from the online consumer finance industry. As such, we believe the recent and any regulations that may be promulgated in the future will consolidate the online consumer finance industry and we will be able to capture the opportunities arising therefrom.

### ***Our Business and Ecosystem***

Leveraging the highly-valuable user base and the personal credit data accumulated from our credit card management platform, we have gradually developed into a dynamic and self-reinforcing ecosystem providing users with one-stop personal financial services covering personal credit management services, credit card technology services, and online credit facilitation and investment services.

- *Personal Credit Management Services*

We provide personal credit management services primarily to credit card holders through our 51 Credit Card Manager App. Our wide range of personal credit management services include (i) management of credit card bills and household bills and records such as home mortgage, automobile loans and utilities bills; (ii) repayment facilitation of credit card bills and other bills; and (iii) other value-added services, such as checking and monitoring the balance of housing provident fund. We enjoy a large user base for our flagship credit management service: the cumulative number of registered users of our 51 Credit Card Manager App increased at a CAGR of 50.0%, from 27.5 million in 2015 to 42.2 million in 2016 and further to 62.0 million in 2017. During the same period, the cumulative number of credit cards we had managed increased from 48.9 million in 2015, to 75.3 million in 2016 and 106.3 million in 2017, representing a CAGR of 47.5%. We do not charge users for personal credit management services. We utilize personal credit management services business as the main entrance to our ecosystem which enables us to attract and retain a large user base for our future business growth.

- *Credit Card Technology Services*

We enable our users to conveniently compare and apply for credit cards that suit their profile and credit needs through our credit card technology services. In 2015, 2016 and 2017, the number of new credit cards issued through us was 0.5 million, 1.2 million and 2.1 million, representing a CAGR of 114.0%. In addition, since April 2017, we have developed in-depth cooperation with several medium and small-sized banks, who desire to expand their credit card businesses, and offered our co-branding credit cards with them. We provide services to them in the areas of data application, credit analytics and risk profiling, through which we are able to share the income generated from the co-branding credit cards with these banks for a number of years. As of December 31, 2017, the cumulative number of co-branding credit cards issued was 100,905 and 67,403 of them were issued in the fourth quarter of 2017. We believe that our credit card technology services business has sustainable growth potential.

- *Online Credit Facilitation and Investment Service*

We operate the largest online consumer finance marketplace targeting credit card holders. Compared to time-consuming and frustrating loan application process offered by traditional financial institutions, we offer our users quick, simple and convenient access to credit at affordable pricing and flexible terms through our Apps to fulfill their immediate financial needs. Besides serving borrowers who are credit card holders, we recognize a vast number of potential borrowers who are non-credit-card holders and underserved or unserved by traditional financial institutions due to the lack of credit infrastructure. We fill this gap with comprehensive loan product offerings to address a myriad of borrowing needs. We facilitate loan products to our users through both our 51 Credit Card Manager App and other Apps. During the Track Record Period, our online credit facilitation and investment services constituted our largest revenue stream.

During the Track Record Period, we have experienced substantial growth in credit facilitation and investment business. Our loan facilitation volume increased at a CAGR of 544.7% from RMB815.3 million in 2015 to RMB10,299.3 million in 2016 and further to RMB33,890.6 million in 2017. All of our loans are unsecured and are funded primarily by individual investors of our platform through 51 Credit Card Manager App and other Apps. As a

## SUMMARY

majority of our individual investors are also our credit card management users, we are able to attract a large investor base and stable and adequate funding source from individual investors without incurring significant investor acquisition costs. Our online credit facilitation and investment services business demonstrates the high value of our users and contributes stable revenue and cash flow to us.

These three services we offer interact and support each other in a deep and organic manner. The conversion of users across three of our businesses often happen spontaneously, creating a dynamic ecosystem. In 2017, approximately 74.1% of transactions of our loan products targeting credit card holders were derived from our credit card management users, a testimony of our strong capability in converting credit card management users into borrowers. Our ecosystem creates regular and frequent interactions between our users and our platform, which enable us to progressively promote our services. For example, the number of borrowers on our credit card management platform as a percentage of average MAU of the platform increased from 0.9% in 2015 to 4.3% in 2016 and 10.2% in 2017. The number of credit cards issued through us as a percentage of total active users of our credit card management platform increased from 3.0% in 2015 to 6.2% in 2016 and 8.3% in 2017. In addition, our ecosystem is further strengthened by other participants, including banks offering convenient credit card application entry through our platform and other online consumer finance marketplaces enabling our users to further explore and compare a variety of loan products.

Compared to other online consumer finance market participants, we believe that our ecosystem maintains a more dynamic and frequent user interaction and offers a more comprehensive products and services, which enable us to develop a differentiated user acquisition model, attract and retain a large user base, and achieve sustainable growth potential.

### *Our Revenue Streams*

During the Track Record Period, we derived revenue through (i) credit facilitation and service fee from our online credit facilitation and investment services, (ii) credit card technology service fee from our credit card technology services, (iii) loan referral service fee from our online credit facilitation and investment services, and (iv) other revenue, including primarily interest income of loans to borrowers and overdue charges from our online credit facilitation and investment services. In 2015, 2016, and 2017, we generated total revenue of RMB89.7 million, RMB571.0 million, and RMB2,268.6 million, respectively.

The following table sets forth a breakdown of our total revenue for the periods indicated.

|                                               | Year ended December 31, |                |                  |
|-----------------------------------------------|-------------------------|----------------|------------------|
|                                               | 2015                    | 2016           | 2017             |
|                                               | (in thousands of RMB)   |                |                  |
| Credit facilitation and service fee . . . . . | 16,751                  | 384,183        | 1,627,324        |
| Credit card technology service fee . . . . .  | 45,005                  | 72,988         | 140,382          |
| Loan referral service fee . . . . .           | 26,876                  | 65,376         | 189,327          |
| Other revenue . . . . .                       | 1,095                   | 48,499         | 311,547          |
| <b>Total revenue . . . . .</b>                | <b>89,727</b>           | <b>571,046</b> | <b>2,268,580</b> |

## SUMMARY

### *Our Loan Products*

The loan facilitation volume of our loan products were RMB815.3 million in 2015, RMB10,299.3 million in 2016 and RMB33,890.6 million in 2017. The following table sets forth the breakdown of our loan facilitation volume by product for the periods indicated:

|                                                                   | Year Ended December 31, |                      |                        |                      |                        |                      | Three months ended March 31, |                      |
|-------------------------------------------------------------------|-------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------------|----------------------|
|                                                                   | 2015                    |                      | 2016                   |                      | 2017                   |                      | 2018                         |                      |
|                                                                   | RMB                     | %                    | RMB                    | %                    | RMB                    | %                    | RMB                          | %                    |
| (in millions except for percentages)                              |                         |                      |                        |                      |                        |                      |                              |                      |
| Products serving credit card holders . . . . .                    | 815.3                   | 100.0%               | 9,285.6                | 90.2%                | 21,854.7               | 64.5%                | 4,501.9                      | 94.9%                |
| Products serving non-credit-card holders <sup>(1)</sup> . . . . . | —                       | —                    | 1,013.7                | 9.8%                 | 12,035.9               | 35.5%                | 244.4                        | 5.1%                 |
| <b>Total . . . . .</b>                                            | <b><u>815.3</u></b>     | <b><u>100.0%</u></b> | <b><u>10,299.3</u></b> | <b><u>100.0%</u></b> | <b><u>33,890.6</u></b> | <b><u>100.0%</u></b> | <b><u>4,746.3</u></b>        | <b><u>100.0%</u></b> |

*Note:*

- Including the loan facilitation volumes of RMB4,518.1 million of the short-term small-sized loan product we offered from February 2017 to November 2017. We ceased to offer this loan product thereafter.

The following table sets forth the average tenure of the loans we facilitated by ticket size for the periods indicated:

|                                                 | For the Year Ended December 31, |      |      | For the three months ended March 31, |
|-------------------------------------------------|---------------------------------|------|------|--------------------------------------|
|                                                 | 2015                            | 2016 | 2017 | 2018                                 |
|                                                 | (Months)                        |      |      |                                      |
| <b>Products serving credit card holders</b>     |                                 |      |      |                                      |
| < RMB10,000 . . . . .                           | 12.5                            | 12.0 | 10.2 | 11.1                                 |
| > RMB10,000 . . . . .                           | 15.5                            | 15.4 | 14.0 | 15.0                                 |
| <b>Products serving non-credit card holders</b> |                                 |      |      |                                      |
| < RMB3,000 . . . . .                            | N/A                             | 8.1  | 2.5  | 4.4                                  |
| > RMB3,000 . . . . .                            | N/A                             | 10.3 | 9.7  | 5.9                                  |

## SUMMARY

### *Funding Sources of Our Loan Products*

We have diversified our funding sources to ensure sufficient capital to efficiently fund the loans we facilitate. The loans we facilitate to borrowers are primarily funded by individual investors of our 51 Renpin and, to a lesser extent, institutions including licensed financial institutions such as banks, consumer finance companies, online consumer finance marketplaces and trust, and our own micro loan subsidiary. The following table sets forth a breakdown of the total volume of loans we facilitated by funding sources for the periods indicated:

|                                         | Year Ended December 31, |               |                 |               |                 |               | Three months ended March 31, |               |
|-----------------------------------------|-------------------------|---------------|-----------------|---------------|-----------------|---------------|------------------------------|---------------|
|                                         | 2015                    |               | 2016            |               | 2017            |               | 2018                         |               |
|                                         | RMB                     | %             | RMB             | %             | RMB             | %             | RMB                          | %             |
| (in millions except for percentages)    |                         |               |                 |               |                 |               |                              |               |
| Investors of 51 Renpin . . .            | 803.5                   | 98.5%         | 8,787.4         | 85.3%         | 26,096.5        | 77.0%         | 4,560.4                      | 96.1%         |
| Institutions <sup>(1)</sup> . . . . .   | 11.8                    | 1.5%          | 1,511.9         | 14.7%         | 6,883.4         | 20.3%         | 172.2                        | 0.3%          |
| Our own micro loan subsidiary . . . . . | —                       | —             | —               | —             | 910.7           | 2.7%          | 13.7                         | 3.6%          |
| <b>Total</b> . . . . .                  | <b>815.3</b>            | <b>100.0%</b> | <b>10,299.3</b> | <b>100.0%</b> | <b>33,890.6</b> | <b>100.0%</b> | <b>4,746.3</b>               | <b>100.0%</b> |

*Note:*

- (1) Including trust funding of RMB303.8 million in 2016 and RMB1,535.8 million in 2017, which stayed on our balance sheet as we are considered as the primary beneficiary of the trusts and have the power of directing the activities of the trust.

### *Other Key Operating Metrics*

The following table sets forth our key operating metrics during the Track Record Period. The steady improvement of most of these operating metrics is the result of the continuous growth of our business.

|                                                                                                                             | As of/for the year ended December 31 |                  |                   |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------|------------------|-------------------|
|                                                                                                                             | 2015                                 | 2016             | 2017              |
| <b><i>Personal Credit Management Services</i></b>                                                                           |                                      |                  |                   |
| Number of registered users of 51 Credit Card Manager App . . . . .                                                          | 27.5 million                         | 42.2 million     | 62.0 million      |
| Number of registered users across all our Apps . . . . .                                                                    | 30.0 million                         | 48.9 million     | 81.0 million      |
| Number of average monthly active users of 51 Credit Card Manager App . . . . .                                              | 3.5 million                          | 4.6 million      | 5.9 million       |
| Transaction volume of repayment of credit card bills and other liabilities through the 51 Credit Card Manager App . . . . . | RMB 21.1 billion                     | RMB 32.1 billion | RMB 109.1 billion |
| Number of credit cards under management . . . . .                                                                           | 48.9 million                         | 75.3 million     | 106.3 million     |
| New user acquisition cost . . . . .                                                                                         | RMB 8.4                              | RMB 9.7          | RMB 19.2          |
| <b><i>Credit Card Technology Services</i></b>                                                                               |                                      |                  |                   |
| Number of credit cards successfully issued through us . . . . .                                                             | 0.5 million                          | 1.2 million      | 2.1 million       |
| Number of co-branding cards issued . . . . .                                                                                | N/A                                  | N/A              | 100,905           |
| <b><i>Online Credit Facilitation and Investment Services</i></b>                                                            |                                      |                  |                   |

## SUMMARY

|                                                                                        | As of/for the year ended December 31 |                    |                     |
|----------------------------------------------------------------------------------------|--------------------------------------|--------------------|---------------------|
|                                                                                        | 2015                                 | 2016               | 2017                |
| Number of borrowers for our loan products targeting credit card holders . . . . .      | 0.03 million                         | 0.2 million        | 0.8 million         |
| Number of borrowers for our loan products targeting non-credit card holders . . . . .  | N/A                                  | 0.3 million        | 1.8 million         |
| Number of borrowers . . . . .                                                          | 0.03 million                         | 0.5 million        | 2.6 million         |
| Number of investors . . . . .                                                          | 0.4 million                          | 1.9 million        | 3.0 million         |
| Average loan size of loan products targeting credit card holders . . . . .             | RMB22,991.3                          | RMB27,872.0        | RMB16,679.0         |
| Average term of loan products targeting credit card holders . . . . .                  | 15.3 months                          | 15.3 months        | 13.5 months         |
| Average loan size of products serving non-credit-card holders <sup>(i)</sup> . . . . . | N/A                                  | RMB3,234.1         | RMB3,986            |
| Average term of products serving non-credit-card holders <sup>(i)</sup> . . . . .      | N/A                                  | 9.5 months         | 9.5 months          |
| Outstanding loan balance . . . . .                                                     | RMB688.2 million                     | RMB6,883.6 million | RMB15,828.9 million |
| Average investment balance per investor . . . . .                                      | RMB15,531.7                          | RMB14,822.1        | RMB20,614.3         |
| Average annualized return of investors offered by our investment services . . . . .    | 8.0%                                 | 7.0%               | 6.9%                |

*Note:*

(i) excluding the short-term and small-sized loan products that we offered from February 2017 to November 2017.

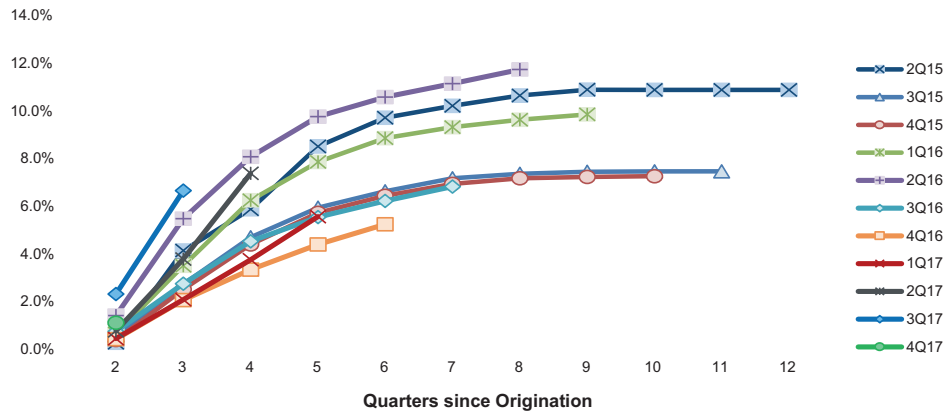
The significant increase of new user acquisition cost from RMB9.7 per user in 2016 to RMB19.2 per user in 2017 was mainly due to the fact that 2017 was a year that a large number of P2P lending platform players rushed into the markets and invested abundantly in user acquisition efforts in order to quickly expand their respective market shares. However, with the development of regulatory environment of P2P industry unfolding and the market's gradual consolidation, the competition for new users has cooled down and the increase in user acquisition cost has slowed down since the end of 2017. As a result, compared with significant increase of our user acquisition cost from 2016 to 2017, we expect only a moderate increase of average user acquisition cost in the future. In addition, unlike our industry peers who usually incur significant sales and marketing expenses in connection with borrowers and investors acquisition, our sales and marketing expenses primarily related to our user acquisition efforts for our credit management services users. As a majority of our borrowers and investors are converted from our credit card management users, we do not expect the increase in user acquisition cost in the future will have a material adverse impact on our business because our entire ecosystem comprising of multiple revenue-generating businesses jointly shares the increased costs.

Apart from the key operating metrics as set out above, we have been continuously improving the performance of our loan products by optimizing our risk management and credit assessment models during the Track Record Period, although our overall delinquency performance in 2017 was adversely affected by the volatility in borrower credit performance due to the new regulations adopted in late 2017 and the increased loan facilitation volume of loan products serving non-credit card holders in 2017, whose credit performance results are generally lower than that of credit card holders. For example, for the loan products serving credit card holders, the 90-day plus past due delinquency rates for the loans facilitated in the second quarter of 2015 had a relatively high delinquency rates because we first started this business in the second quarter of 2015, and then through our operation and accumulated experience, despite some fluctuation for loans facilitated in the first and second quarter of 2016, the 90-day plus past due delinquency rates for the loans facilitated after third quarter of 2016 had all remained at a relatively low level. However, the 90-day plus delinquency rates for our loans serving credit card holders facilitated in 2017 were adversely affected by the volatility in borrower credit performance due to the new regulations adopted in late 2017.

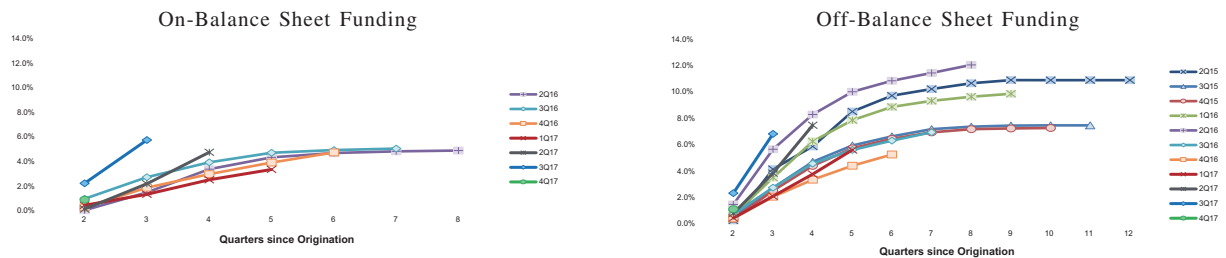


## SUMMARY

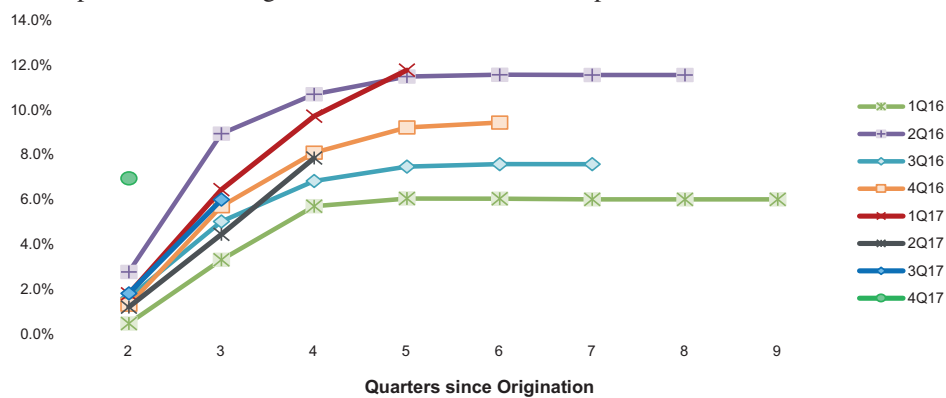
The following chart displays the historical cumulative 90-day plus past due delinquency rates by vintage for loan products serving credit card holders (i.e., 51 Renpin Loan) up to March 31, 2018:



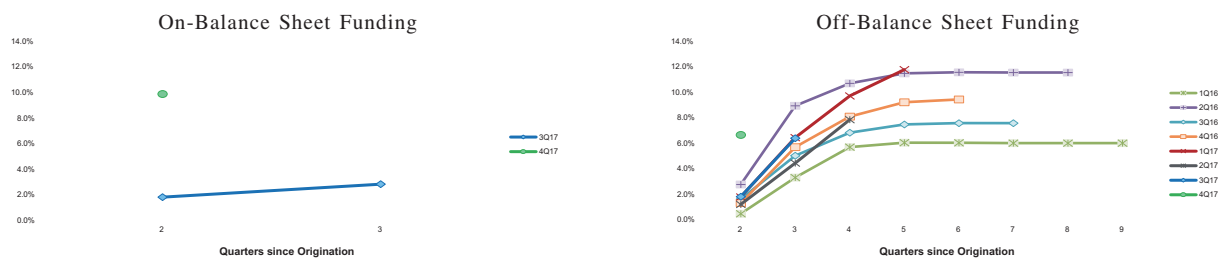
The following charts display the historical cumulative 90-day plus past due delinquency rates by vintage for loan products serving credit card holders (i.e., 51 Renpin Loan) by different funding sources up to March 31, 2018:



The following chart displays the historical cumulative 90-day plus past due delinquency rates by vintage for loan products serving non-credit-card holders up to March 31, 2018:



The following charts display the historical cumulative 90-day plus past due delinquency rates by vintage for loan products serving non-credit-card holders by different funding sources up to March 31 2018:





## SUMMARY

For the loan products serving non-credit card holders, the 90-day plus past due delinquency rates for the loans facilitated in the second quarter of 2016 had the highest delinquency rates because these products were launched in early 2016, and the 90-day plus past due delinquency rates for the loans facilitated after third quarter of 2016 had all remained at a relatively low level. However, the 90-day plus delinquency rates for our loans serving non-credit card holders facilitated in 2017 were adversely affected by the volatility in borrower credit performance due to the new regulations adopted in late 2017. In particular, the 90-day plus delinquency rates for our loan products serving non-credit card holders facilitated in the fourth quarter of 2017 was primarily affected by the short-term volatility in borrower credit performance for our short-term small-sized loan products due to the new regulations adopted in late 2017. We ceased offering such short-term small-sized loan products from December 2017.

### *Credit Scoring and Pricing*

Empowered by our massive credit database built upon data from our personal credit management, online credit facilitation and investment services, we have developed our proprietary credit scoring model to assess the creditworthiness of potential borrowers. The reliability and the vast volume of the data lay a strong foundation for our use of machine learning to optimize the credit assessment model. The system is continuously tested and updated by our team.

With a vast number of variables taken into account, we determine credit line for each applicant. Each applicant applying for our loan products serving credit card holders, if not rejected by us due to high risk, will be assigned into one of the five credit score segments based on their risk profile, AAA, AA, A, B or B-, with AAA representing the lowest risk and B- representing the highest risk.

Starting from 2016, we adopt risk-pricing for loan products serving credit card holders based on their credit scores. We utilize risk-based pricing across the portfolio and we periodically review and adjust the pricing. The following table presents the average APR for each of the different segments in our credit grid for the periods indicated for our loan products serving credit card holders:

| Credit Score of Borrowers for Products Serving Credit Card Holders <sup>(1)</sup> | Year Ended December 31, |       |
|-----------------------------------------------------------------------------------|-------------------------|-------|
|                                                                                   | 2016                    | 2017  |
|                                                                                   | APR                     | APR   |
| AAA . . . . .                                                                     | 12.6%                   | 14.9% |
| AA . . . . .                                                                      | 14.7%                   | 17.3% |
| A . . . . .                                                                       | 18.4%                   | 21.3% |
| B . . . . .                                                                       | 24.3%                   | 26.2% |
| B- . . . . .                                                                      | N/A                     | 27.6% |

*Note:*

- (1) We did not adopt risk-pricing for our loan products in 2015. The average overall APR of our loan products servicing credit card holders was 13.7% in 2015.

For applicants with limited or no credit history applying for our loan products serving non-credit-card holders, we partner with a number of third party data providers to supplement our internal record with external data in assessing their risks. We started facilitating loan products serving non-credit-card holders from 2016. In 2016 and 2017, the average APR for our major loan products serving non-credit-card holders was 31.5% and 30.8%, respectively.

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## SUMMARY

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### OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- China's largest online credit card management platform with differentiated user acquisition model and highly valuable user base;
- Dynamic and self-reinforcing ecosystem;
- Leading consumer finance marketplace targeting at credit card holders with diversified product offerings;
- Access to high quality data and advanced technology capabilities;
- Stable funding source fueling rapid growth;
- Visionary and experienced management team.

### OUR BUSINESS STRATEGIES

We aim to make it easy for the Chinese people to manage and access credit. We plan to pursue the following strategies to achieve our goal:

- Continue to expand our user base and services;
- Continue to strengthen our credit card technology services;
- Enhance our capability to capitalize the credit facilitation business;
- Further strengthen our technology capabilities;
- Pursue strategic acquisition, investment and alliances opportunities.

### RISK FACTORS

There are a number of risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business and our industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to doing business in China; and (iv) risks relating to the Global Offering.

We believe our major risk factors include:

- The laws and regulations governing the online consumer finance and micro lending industries in China are evolving and subject to changes. If our online credit facilitation and investment service business is deemed to violate any PRC laws or regulations, or we fail to obtain any necessary approvals, licenses and permits and to make any necessary registrations and filings for our credit facilitation services, our business, financial conditions and results of operations would be materially and adversely affected.
- We have a limited operating history in a new and evolving market, which makes it difficult to evaluate our prospects.
- If the credit management services are insufficiently attractive to or fail to satisfy the demands of credit card holders and other users, applicants or credit card issuing banks, our business, financial condition and results of operations will be materially affected.
- The credit facilitation service fees we charge borrowers 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.
- Our business relies on the access to our user's credit card statements based on user's authorization. If such access is restricted, our business, financial condition and results of operations will be materially affected.

For further information relating to the risks relating to our business and investments in our Shares, see "Risk Factors."

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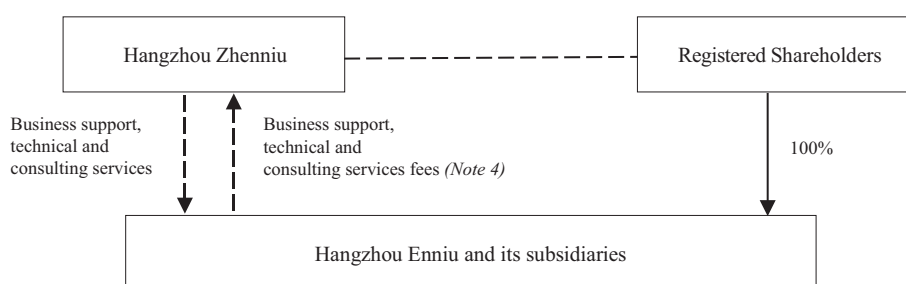
## SUMMARY

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### CONTRACTUAL ARRANGEMENTS

The operation of our subsidiaries are subject to various foreign ownership prohibitions or restrictions under PRC laws and regulations. Our Company is therefore unable to own or hold any direct equity interest in our PRC Operating Entities. In order to maintain and exercise control over our PRC Operating Entities, we have entered into the Contractual Arrangements. The Contractual Arrangements allow us to obtain substantially all of the economic benefits of our PRC Operating Entities and consolidate their results of operations into our Group's. Accordingly, the term "ownership" or the relevant concept, as applied to our Company in this document, as the case may be, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any equity interest in our PRC Operating Entities. See the section headed "Contractual Arrangements" for further details.

The following simplified diagram illustrates the flow of economic benefits from Hangzhou Enniu to us under the Contractual Arrangements:



*Notes:*

- (1) Please refer to "Contractual Arrangements — Powers of Attorney" for details.
- (2) Please refer to "Contractual Arrangements — Exclusive Option Agreement" for details.
- (3) Please refer to "Contractual Arrangements — Share Pledge Agreement" for details.
- (4) Please refer to "Contractual Arrangements — Exclusive Business Cooperation Agreement" for details.

### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (on the basis that all Class B Ordinary Shares and Preferred Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised), Rising Sun Limited will, directly and indirectly, hold 10.12% of the issued share capital in the Company. Rising Sun Limited is wholly-owned by Wukong Ltd. Wukong Ltd. is beneficially owned by the Wukong Trust., which was established by Mr. Sun as the settlor. TMF (Cayman) Ltd. is the trustee of the Wukong Trust, and Mr. Sun is the beneficiary of the Wukong Trust. Mr. Sun is also the sole director of Rising Sun Limited. Accordingly, Mr. Sun, through Wukong Trust, Wukong Ltd. and Rising Sun and by virtue of the Voting Proxy Agreement and the Limited Partnership Agreement, is entitled to control the voting right of approximately 47.02% of the total issued share capital in the Company. Therefore, Mr. Sun (as the settlor of Wukong Trust), Wukong Ltd. and Rising Sun are the Controlling Shareholders of our Company.

For details of our Controlling Shareholders, please refer to the section titled "Relationship with Our Controlling Shareholders".

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in "Appendix I — Accountant's Report" to this prospectus. You should read the summary of historical consolidated financial statements set forth below in conjunction with our consolidated financial statements included in the Accountant's Report set forth in "Appendix I—Accountant's Report" to this prospectus, together with the accompanying notes, which have been prepared in accordance with IFRS.

## SUMMARY

### Selected Financial Data from Consolidated Statements of Comprehensive Income

|                                                                                  | Year ended December 31, |                           |                           |
|----------------------------------------------------------------------------------|-------------------------|---------------------------|---------------------------|
|                                                                                  | 2015                    | 2016                      | 2017                      |
|                                                                                  | (in thousands of RMB)   |                           |                           |
| Credit facilitation and service fee . . . . .                                    | 16,751                  | 384,183                   | 1,627,324                 |
| Credit card technology service fee . . . . .                                     | 45,005                  | 72,988                    | 140,382                   |
| Loan referral service fee . . . . .                                              | 26,876                  | 65,376                    | 189,327                   |
| Other revenue . . . . .                                                          | <u>1,095</u>            | <u>48,499</u>             | <u>311,547</u>            |
| <b>Total revenue . . . . .</b>                                                   | <b><u>89,727</u></b>    | <b><u>571,046</u></b>     | <b><u>2,268,580</u></b>   |
| Origination and servicing expenses . . . . .                                     | (27,149)                | (148,834)                 | (516,904)                 |
| Sales and marketing expenses . . . . .                                           | (136,430)               | (182,674)                 | (614,406)                 |
| General and administrative expenses . . . . .                                    | (39,114)                | (75,379)                  | (182,144)                 |
| Research and development expenses . . . . .                                      | (42,377)                | (112,415)                 | (261,378)                 |
| Other gains/(losses), net . . . . .                                              | <u>(10,608)</u>         | <u>7,924</u>              | <u>11,931</u>             |
| <b>Total operating expenses . . . . .</b>                                        | <b><u>(255,678)</u></b> | <b><u>(511,378)</u></b>   | <b><u>(1,562,901)</u></b> |
| <b>Operating profit/(loss) . . . . .</b>                                         | <b><u>(165,951)</u></b> | <b><u>59,668</u></b>      | <b><u>705,679</u></b>     |
| Share of net losses of associates accounted for<br>using equity method . . . . . | (68)                    | (647)                     | (1,465)                   |
| Fair value loss of preferred shares . . . . .                                    | (575,439)               | (743,997)                 | (2,260,930)               |
| Extinguishment gain/(loss) of preferred shares . .                               | 14,711                  | (1,442,931)               | 242,462                   |
| Finance expenses, net . . . . .                                                  | <u>(11,772)</u>         | <u>(64,698)</u>           | <u>(47,778)</u>           |
| <b>Loss before income tax . . . . .</b>                                          | <b><u>(738,519)</u></b> | <b><u>(2,192,605)</u></b> | <b><u>(1,362,032)</u></b> |
| Income tax credit/(expense) . . . . .                                            | <u>45,216</u>           | <u>(38,837)</u>           | <u>(16,439)</u>           |
| <b>Loss for the year . . . . .</b>                                               | <b><u>(693,303)</u></b> | <b><u>(2,231,442)</u></b> | <b><u>(1,378,471)</u></b> |

### Selected Financial Data from Consolidated Statements of Financial Position

|                                    | As at December 31,    |                         |                         |
|------------------------------------|-----------------------|-------------------------|-------------------------|
|                                    | 2015                  | 2016                    | 2017                    |
|                                    | (in thousands of RMB) |                         |                         |
| <b>ASSETS</b>                      |                       |                         |                         |
| Total non-current assets . . . . . | <u>67,266</u>         | <u>202,477</u>          | <u>1,929,218</u>        |
| Total current assets . . . . .     | <u>429,584</u>        | <u>3,883,042</u>        | <u>5,795,824</u>        |
| <b>Total assets . . . . .</b>      | <b><u>496,850</u></b> | <b><u>4,085,519</u></b> | <b><u>7,725,042</u></b> |

## SUMMARY

|                                                                               | As of December 31,    |                  |                  |
|-------------------------------------------------------------------------------|-----------------------|------------------|------------------|
|                                                                               | 2015                  | 2016             | 2017             |
|                                                                               | (in thousands of RMB) |                  |                  |
| <b>Current assets</b>                                                         |                       |                  |                  |
| Quality assurance fund receivable . . . . .                                   | 63,150                | 576,921          | 1,407,981        |
| Contract assets . . . . .                                                     | 18,138                | 1,567            | 22,692           |
| Trade receivables . . . . .                                                   | 11,309                | 35,193           | 59,957           |
| Prepayments and other receivables . . . . .                                   | 20,140                | 580,927          | 355,799          |
| Loans to customers, net . . . . .                                             | —                     | 196,954          | 948,987          |
| Financial assets designated at fair value through<br>profit or loss . . . . . | 15,000                | 89,187           | 334,471          |
| Restricted cash . . . . .                                                     | 15,095                | 298,213          | 1,407,491        |
| Cash and cash equivalents . . . . .                                           | 286,752               | 2,104,080        | 1,258,446        |
| <b>Total current assets . . . . .</b>                                         | <b>429,584</b>        | <b>3,883,042</b> | <b>5,795,824</b> |
| <b>Current liabilities</b>                                                    |                       |                  |                  |
| Quality assurance fund payable . . . . .                                      | 77,676                | 706,612          | 1,767,210        |
| Payable to platform customers . . . . .                                       | 11,572                | 86,140           | 656,422          |
| Contract liabilities . . . . .                                                | —                     | 30,973           | 49,714           |
| Preferred shares . . . . .                                                    | 1,182,588             | —                | —                |
| Payable to preferred shareholders . . . . .                                   | —                     | 1,866,921        | 30,000           |
| Short-term borrowings . . . . .                                               | 20,000                | 33,000           | 257,057          |
| Trade and other payables . . . . .                                            | 35,931                | 138,054          | 963,351          |
| Income tax payable . . . . .                                                  | 482                   | 42,744           | 36,042           |
| Financial liabilities at fair value through profit<br>or loss . . . . .       | —                     | 4,627            | 168,460          |
| <b>Total current liabilities . . . . .</b>                                    | <b>1,328,249</b>      | <b>2,909,071</b> | <b>3,928,256</b> |
| <b>Net Current (Liabilities)/Assets . . . . .</b>                             | <b>(898,665)</b>      | <b>973,971</b>   | <b>1,867,568</b> |

|                                                | As at December 31,    |                    |                    |
|------------------------------------------------|-----------------------|--------------------|--------------------|
|                                                | 2015                  | 2016               | 2017               |
|                                                | (in thousands of RMB) |                    |                    |
| <b>DEFICIT AND LIABILITIES</b>                 |                       |                    |                    |
| <b>Deficit</b>                                 |                       |                    |                    |
| <b>Total deficit . . . . .</b>                 | <b>(832,302)</b>      | <b>(3,093,734)</b> | <b>(4,581,556)</b> |
| <b>Liabilities</b>                             |                       |                    |                    |
| Total non-current liabilities . . . . .        | 903                   | 4,270,182          | 8,378,342          |
| Total current liabilities . . . . .            | 1,328,249             | 2,909,071          | 3,928,256          |
| <b>Total liabilities . . . . .</b>             | <b>1,329,152</b>      | <b>7,179,253</b>   | <b>12,306,598</b>  |
| <b>Total deficit and liabilities . . . . .</b> | <b>496,850</b>        | <b>4,085,519</b>   | <b>7,725,042</b>   |

## SUMMARY

### Selected Financial Data from Consolidated Statements of Cash Flows

|                                                                        | Year ended December 31, |           |             |
|------------------------------------------------------------------------|-------------------------|-----------|-------------|
|                                                                        | 2015                    | 2016      | 2017        |
|                                                                        | (in thousands of RMB)   |           |             |
| Net cash used in operating activities . . . . .                        | (138,485)               | (34,376)  | (31,034)    |
| Net cash used in investing activities . . . . .                        | (38,052)                | (247,330) | (1,265,943) |
| Net cash generated from financing activities . . . . .                 | 447,425                 | 2,092,330 | 478,075     |
| Effect of exchange rate changes on cash and cash equivalents . . . . . | 4,223                   | 6,704     | (26,732)    |
| Net increase/(decrease) in cash and cash equivalents . .               | 275,111                 | 1,817,328 | (845,634)   |
| Cash and cash equivalents at beginning of year . . . . .               | 11,641                  | 286,752   | 2,104,080   |
| Cash and cash equivalents at end of year . . . . .                     | 286,752                 | 2,104,080 | 1,258,446   |

Our negative operating cash flows during the Track Record Period were primarily due to the increase in loan to customers, which primarily represents our loans funded by trust funding and under the trust financing arrangement and the accounting policies the cash outflow in connection with the loans funded by trust funding was categorised as operating cash flows, however the corresponding cash inflow from the trust funding was categorized as financing cash flows, the different accounting categorization for the cash inflow and outflow underlying trust funding also contributed to the negative operating cash flows.

### *Non-IFRS measures*

We compensate for the limitations of the non-IFRS measures by reconciling the non-IFRS financial measures to the nearest IFRS performance measure, all of which should be considered when evaluating our performance. The following table reconciles our adjusted operating profit/(loss) and adjusted net profit/(loss) in the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit/(loss):

|                                                      | Year ended December 31, |             |             |
|------------------------------------------------------|-------------------------|-------------|-------------|
|                                                      | 2015                    | 2016        | 2017        |
|                                                      | (in thousands of RMB)   |             |             |
| <b>Adjusted operating profit/(loss)</b>              |                         |             |             |
| Operating profit/(loss) . . . . .                    | (165,951)               | 59,668      | 705,679     |
| Adjusted for:                                        |                         |             |             |
| Share-based compensation expenses . . . . .          | 18,373                  | 26,897      | 56,594      |
| Listing expenses . . . . .                           | —                       | —           | 14,905      |
| <b>Adjusted operating profit/(loss)</b> . . . . .    | (147,578)               | 86,565      | 777,178     |
| <b>Adjusted net profit/(loss)</b>                    |                         |             |             |
| Net loss . . . . .                                   | (693,303)               | (2,231,442) | (1,378,471) |
| Adjusted for:                                        |                         |             |             |
| Share-based compensation expenses . . . . .          | 18,373                  | 26,897      | 56,594      |
| Fair value loss of preferred shares . . . . .        | 575,439                 | 743,997     | 2,260,930   |
| Extinguishment gain/(loss) of preferred shares . .   | (14,711)                | 1,442,931   | (242,462)   |
| Finance expenses related to preferred shares . . . . | 12,974                  | 71,079      | 32,351      |
| Listing expense . . . . .                            | —                       | —           | 14,905      |
| <b>Adjusted net profit/(loss)</b> . . . . .          | (101,228)               | 53,462      | 743,847     |

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## SUMMARY

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### Key Financial Ratios

The following table sets forth our selected financial ratios for the years indicated.

|                                                           | Year ended December 31, |       |       |
|-----------------------------------------------------------|-------------------------|-------|-------|
|                                                           | 2015                    | 2016  | 2017  |
| Adjusted operating profit margin <sup>(1)</sup> . . . . . | N/A                     | 15.2% | 34.3% |
| Adjusted net profit margin <sup>(2)</sup> . . . . .       | N/A                     | 9.4%  | 32.8% |

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#### Notes:

- (1) Adjusted operating profit margin is calculated by dividing adjusted operating profit for the year by total income for the year.
- (2) Adjusted net profit margin is calculated by dividing adjusted net profit for the year by total income for the year.

Our operating loss was RMB166.0 million for 2015, and we recorded operating profit of RMB59.7 million for 2016 and RMB705.7 million for 2017. We recorded net loss of RMB693.3 million, RMB2,231.4 million, and RMB1,378.5 million for 2015, 2016, and 2017, respectively. A key reason behind our net loss within the Track Record Period was the significant increase in the fair value of our Preferred Shares. We recorded RMB575.4 million, RMB744.0 million, and RMB2,260.9 million of fair value loss of our Preferred Shares for 2015, 2016, and 2017, respectively. Excluding share-based compensation expenses, fair value loss of preferred shares, extinguishment gain or loss of preferred shares, finance expenses related to our preferred shares and listing expenses, we recorded adjusted net loss of RMB101.2 million in 2015 and adjusted net profit of RMB53.5 million and RMB743.8 million in 2016 and 2017, respectively. Upon Listing, all the Preferred Shares and Class B Ordinary Shares will be converted automatically to our Shares on a one-for-one basis, and thus, in the periods following the Listing, we will not incur fair value loss of our Preferred Shares. As a result, we believe our business is sustainable.

### Intangible Assets

Our intangible assets primarily include software, platform, applications, license and goodwill. As of December 31, 2015, 2016 and 2017, our intangible assets were nil, RMB55.8 million and RMB1,026.8 million, respectively. The value of our intangible assets grew significantly from 2016 to 2017, mainly due to the increase in the license and the goodwill in relation to our acquisition activities, particularly we recorded a goodwill of RMB307.2 million and a license of RMB499.0 million in 2017 in connection with our acquisition of Shouhui Kaizhuo. The license of Shouhui Kaizhuo will enable us to provide payment-related services. The valuation method we used for the license is discounted cashflow method and as of December 31, 2017, the date of acquisition of Shouhui Kaizhuo, the carrying amount of the license was equal to the fair value determined in the purchase price allocation, and no additional impairment assessment was performed. Further information on intangible assets is set out in Accountant's Report in "Appendix I — Accountant's Report — 18 Intangible assets" to this prospectus.

### DIVIDEND

As of the Latest Practicable Date, we did not have a formal dividend policy. As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries, which are primarily incorporated in the PRC. Our subsidiaries in the PRC must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and distributing dividends. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant (including all applicable PRC laws and regulations which our subsidiaries are required to comply with). Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for



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## SUMMARY

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distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. In 2015, 2016, and 2017, we did not declare or pay any dividends to our Shareholders. Since we have not yet accumulated profits and reserves available for distribution, we have no plan to declare or pay any dividends to our Shareholders in the near future. We may declare or pay dividends to our Shareholders once we are legally able to, subject to market condition and our growth strategy.

### GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to the Over-allotment Option): (i) the Hong Kong Public Offering of 11,871,000 Offer Shares (subject to reallocation), and (ii) the International Offering of 106,832,000 Offer Shares (subject to reallocation and the Over-allotment Option).

The Offer Shares will represent 10.00% of the issued share capital of our Company immediately following the completion of Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 11.33%.

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2017 which is over HK\$500 million; and (ii) our expected market capitalization at the time of the Listing which exceeds HK\$4 billion based on the low-end of the indicative Offer Price range.

### RECENT DEVELOPMENT

#### *Business Update and Highlight of Results of Operation for the First Quarter of 2018*

Set forth below are certain material developments on our business after December 31, 2017 and our results of operation for the first quarter of 2018:

#### *Business Update*

- Our cumulative users increased from 81.0 million as of December 31, 2017 to 85.6 million as of March 31, 2018, among which our cumulative registered users of 51 Credit Card Manager App increased from 62.0 million as of December 31, 2017 to 65.3 million as of March 31, 2018.
- The number of credit cards issued through us increased from 0.4 million for the three months ended March 31, 2017 to 0.7 million for the three months ended March 31, 2018.
- The total transaction volume of repayment of credit card bills and other liabilities through the 51 Credit Card Manager App increased from RMB13.4 billion for the three months ended March 31, 2017 to RMB55.0 billion for the three months ended March 31, 2018.
- The loan facilitation volume for our loan products serving credit card holders increased from RMB3,885.5 million for the three months ended March 31, 2017 to RMB4,501.9 million for the three months ended March 31, 2018. The loan facilitation volume for our loan products serving non-credit card holders decreased from RMB1,088.7 million for the three months ended March 31, 2017 to RMB244.4 million for the three months ended March 31, 2018, primarily because (i) we adopted a more conservative credit assessment standard and limited the loan facilitation volume for our loan products serving non-credit card holders and (ii) the funding from our institutional funding partners was under review to comply with new regulatory requirements and (iii) the growth of the balance of loan funded by our investors at 51 Renpin was constrained due to current local regulatory requirements. However, we believe the decrease in loan facilitation

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## SUMMARY

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volume of loan products serving non-credit card holders was only a temporary result of the recent regulations. We will continue to offer loan products to non-credit card holders. Although the absolute volume of our loan products serving non-credit card holders may grow in the future, we expect that they will represent a smaller percentage of our total loan facilitation volume. Going forward, our strategy toward non-credit card holders will focus on helping them establish their credit profiles through offering loan products to them and streamlining the process of credit card applications made through our platform to assist non-credit card holders to become credit card holders and even holders of multiple credit cards.

- We successfully obtained a financing guarantee license in April 2018. Financial institutions usually require credit enhancement in credit facilitation arrangements, and Circular 141 only allows licensed financial guarantee companies to provide such credit enhancement. Therefore, we believe obtaining a financial guarantee license will enable us to legally utilize institutional funding sources to fund the loans facilitated to our borrowers, which will diversify our funding sources to makes us less sensitive to changes of overall liquidity in the financial market and support our business growth under the new regulatory requirements. The provision of financing guarantee services is not a restricted or prohibited business under the relevant PRC laws and regulations.
- Starting from March 2018, we have introduced new funding partners including third party consumer finance companies and other online consumer finance marketplaces to supplement the funding for our loan products. Our total loan facilitation volume increased from RMB1,492.2 million in January 2018 and RMB1,274.7 million in February 2018 to RMB1,979.4 million in March 2018 to RMB2,333.8 million in April 2018 and further to RMB2,977.4 million in May 2018.

### *Highlight of Results of Operation for the First Quarter of 2018*

- Our total revenue increased by 30.8% from RMB356.8 million for the three months ended March 31, 2017 to RMB466.7 million for the three months ended March 31, 2018. The increase in our revenue is primarily because (i) our credit facilitation and service fee increased from RMB290.8 million for the three months ended March 31, 2017 to RMB297.8 million for the three months ended March 31, 2018 due to the increase in loan facilitation volume for loan products serving credit card holders, partially offset by the decrease in loan facilitation volume for our loan products serving non-credit card holders and the increased fair value of newly written quality assurance obligation as percentage of loan facilitation volume, and (ii) our credit card technology service fee increased from RMB20.5 million for the three months ended March 31, 2017 to RMB62.6 million for the three months ended March 31, 2018 due to the increase in the number of credit cards issued through us, particularly our co-branding cards, with our revenue generated from co-branding credit cards amounted to RMB14 million for the three months ended March 31, 2018.
- We recorded an operating profit of RMB154.5 million for the three months ended March 31, 2017 and an operating profit of RMB1.5 million for the three months ended March 31, 2018 and our adjusted operating profit decreased from RMB159.2 million for the three months ended March 31, 2017 to RMB44.6 million for the three months ended March 31, 2018 primarily because:
  - our origination and servicing expenses increased from RMB71.0 million to RMB150.5 million due to (i) the increase in employee benefit expenses as a result of increased ESOP expense and the increase in our employee salary levels and our employee headcount working on credit assessment, data processing and analysis, loan facilitation service, customer service and loan collection as compared to such employee headcount in the first quarter of 2017, however, such employee headcount in the first quarter of 2018 remains relatively stable as compared to that of the end of 2017, and (ii) the increase in fund transfer charges as a result of the significant increase in total transaction volume of repayment of credit card bills and other liabilities through the 51 Credit Card Manager App.

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## SUMMARY

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- our sales and marketing expenses increased from RMB62.2 million to RMB115.7 million due to enhanced online user acquisition efforts for our long-term business growth. Our new user acquisition costs increased from RMB19.2 per registered user in 2017 to RMB24.8 per registered user in the three months ended March 31, 2018 primarily due to the increased online traffic cost;
- our general and administrative expenses increased from RMB24.4 million to RMB83.0 million primarily due to the increase in employee benefit expenses as a result of increased ESOP expense and the increase in our employee headcount for administrative staff as compared to our employee headcount for administrative staff in the first quarter of 2017, however, our employee headcount for administrative staff in the first quarter of 2018 remains relative stable as compared to that of the end of 2017;
- our ESOP expense increased from RMB4.7 million for the three months ended March 31, 2017 to RMB34.7 million for the three months ended March 31, 2018 and our listing expenses was nil for the three months ended March 31, 2017, compared to a listing expense of RMB8.4 million for the three months ended March 31, 2018; and
- our net other gains/(losses) changed from net gains of RMB0.3 million for the three months ended March 31, 2017 to net losses of RMB35.5 million for the three months ended March 31, 2018 primarily due to the increase in the quality assurance fund loss and impairment loss as a result of the volatility in our borrower credit performance in the first quarter of 2018.

The financial information for the three months ended 31 March 2017 and 2018 as mentioned above was extracted from the interim financial information of the Group for the three months ended 31 March 2018 which has been reviewed by the reporting accountant of the Company in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

Since December 2017, we saw an increase in delinquency rate due to a short-term volatility of borrower credit performance, we therefore adopted a more conservative credit assessment standard and limited the loan facilitation volume for our loan products serving non-credit card holders. In addition, the growth of the balance of loan funded by our investors at 51 Renpin has been constrained due to current local regulatory requirements since the second half of 2017. As a result, although our business growth has started to accelerate after the first quarter of 2018, our profitability will be adversely affected in the first half of 2018 and is expected to decrease as compared to that of first half of 2017.

### LISTING EXPENSES

Based on the mid-point Offer Price of HK\$10.00, assuming that the Over-allotment Option is not exercised, the total estimated listing related expenses including legal and professional fees, SFC transaction levy, Stock Exchange trading fee, underwriting commissions and discretionary bonus payable by us in relation to the Global Offering is approximately RMB74.6 million. For the year ended December 31, 2017, the listing expenses of RMB14.9 million was charged to our consolidated statements of comprehensive income for the year ended December 31, 2017. We estimate that the total listing expenses for the year 2018 in the amount of RMB27.9 million will be charged to our consolidated statements of comprehensive income and approximately RMB31.8 million, which includes underwriting commission, upon completion of the Global Offering is expected to be capitalized for the year ending December 31, 2018. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations for the year ending December 31, 2018.

### OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 118,703,000 Shares are issued pursuant to the Global Offering; and (ii) 1,187,026,522 Shares are issued and outstanding following the completion of the Global Offering.

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## SUMMARY

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|                                                                                       | Based on an Offer Price of<br>HK\$8.50 per Share | Based on an Offer Price of<br>HK\$11.50 per Share |
|---------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------------|
| Market capitalization of our Shares <sup>(1)</sup> . . . . .                          | HK\$10,089.7 million                             | HK\$13,650.8 million                              |
| Unaudited pro forma adjusted net tangible<br>asset per Share <sup>(2)</sup> . . . . . | HK\$2.02 (RMB1.67)                               | HK\$2.31 (RMB1.91)                                |

*Notes:*

- (1) The calculation of market capitalization is based on 1,187,026,522 shares expected to be in issue immediately upon completion of the Global Offering.
- (2) The unaudited pro forma adjusted net tangible asset per Share as at December 31, 2017 is calculated after making the adjustments referred to in Appendix II to this prospectus and on the basis that 1,187,026,522 shares are expected to be in issue immediately upon completion of the Global Offering.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,096.8 million (equivalent to approximately RMB906.1 million) (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering), assuming the Over-allotment Option is not exercised at all and an Offer Price of HK\$10.00 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. We intend to use the net proceeds we receive from the Global Offering as follows:

1. approximately HK\$438.7 million (equivalent to approximately RMB362.4 million, representing 40% of the net proceeds) for user acquisition efforts for the next five years through multiple channels (the proceeds do not include the costs to provide services to these additional users) including app stores, search engines, third-party Apps and social media channels and to a lesser extent, general branding activities such as online and offline advertisements, such as building and elevator advertising, shopping mall advertising. 70% of the proceeds for user acquisition efforts will be allocated to the promotion of 51 Credit Card Manager App and the rest will be allocated to the promotion of other Apps. In 2017 a large number of online consumer finance players rushed into the markets and invested heavily in the user acquisition effort with an aim to quickly expand their respective market shares. With the development of regulatory environment of online consumer finance industry unfolding and the market's gradual consolidation, the competition for new users has cooled down since the end of 2017. As a result, compared with significant increase of our user acquisition cost from 2016 to 2017, we expect a more moderate increase of average user acquisition cost in the future. Furthermore, we plan to use our operating income in addition to 40% of proceeds received from the initial public offering in user acquisition efforts through multiple channels mentioned above. With such investment in user acquisition, it is estimated that the annual increase in the number of registered users for 51 Credit Card Manager App and other Apps will amount to approximately 20 million and 10 million, respectively. As our settlement with the channel providers is mostly based on number of impressions, user clicks and user downloads, we expect such user acquisition efforts will lead to stable increase in our registered users across all our Apps for the next five years;
2. approximately HK\$329.0 million (equivalent to approximately RMB271.8 million, representing 30% of the net proceeds) to further enhance our technology and risk management capabilities. We intend to allocate half of this portion of the net proceeds to increase the headcount of our research and development and risk management employees by 100 to 300 annually to support our business growth in the next five years. We also plan to allocate the remaining half of this portion of the net proceeds to further enhance our technology and risk management infrastructure, in particular in the areas of big data analysis and artificial intelligence technology with the focus on anti-fraud, deep learning in image analysis, behavior analysis, relationship mapping, automatic user interaction and intelligent user operation. Specifically, investment in artificial intelligence and big data

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## SUMMARY

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will enable us, among others, to (i) further develop facial recognition and voice recognition system to minimize the risks of fraud; (ii) increase the level of automation and precision of our interactive Help Center that serves as a starting point for any question our users may have and (iii) optimize our risk pricing capabilities in data process and analysis;

3. approximately HK\$219.4 million (equivalent to approximately RMB181.2 million, representing 20% of the net proceeds) to selectively pursue investment opportunities for the next five years that are complementary to our business and are in line with our growth strategies. The target businesses include businesses that are located in China and have differentiated consumption scenarios and fast growing user base and businesses with strong capabilities in data process and analysis. We mainly target for investments with amounts between RMB10 million and RMB300 million and those targets with an annual transaction volume of above RMB10 million or with user base of above 100,000. We expect to achieve synergies in the following areas: (a) companies with differentiated consumption scenarios can provide us with user acquisition channels, and (b) companies with strong data processing and analysis capabilities can provide services to us and complement our internal team in risk management and user stickiness efforts. Meanwhile, we also expect to benefit from the growth of portfolio companies via exit in IPOs or other ways. The Directors are of the view that with wider user base of big data and the fast growth of China's mass consumption needs, coupled with the fact that this need has been largely underserved by traditional financial institutions due to the lack of credit infrastructure, there will be a large number of technology-driven start-ups entering into the market. As a result, we expect the pool of our potential target companies will expand in the near future. As of the Latest Practicable Date, we had not proposed to invest in any specific acquisition target or identified any such targets for the use of net proceeds from the Global Offering; and
4. approximately HK\$109.7 million (equivalent to approximately RMB90.7 million, representing 10% of the net proceeds) for working capital and other general corporate purposes.

To the extent that our actual net proceeds from the Global Offering is higher or lower than our estimate above, we will increase or decrease our allocation of the net proceeds for the above purposes accordingly on a pro rata basis. For more details, see "Future Plans and Use of Proceeds."

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## DEFINITIONS

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In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

|                                 |                                                                                                                                                                                                                                                             |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “51 Award Scheme”               | the 51 Award Scheme approved by the Board on November 20, 2017 for the grant of RSUs to eligible employees, a summary of the principal terms of which is set forth in the section headed “Appendix IV — Statutory and General Information — D. RSU Schemes” |
| “51 Credit Card (China)”        | 51 Credit Card (China) Limited, a company limited by shares incorporated in Hong Kong on October 23, 2017, and our wholly-owned subsidiary                                                                                                                  |
| “51 Credit Card Manager App”    | our main mobile application for credit card management and a full spectrum of other services offered by us                                                                                                                                                  |
| “51 Industry Fund”              | a series of private equity investment funds established by us and certain other partners                                                                                                                                                                    |
| “51 Renpin”                     | refers to our online investment products                                                                                                                                                                                                                    |
| “51 Renpin App”                 | our mobile application of “51 Renpin”                                                                                                                                                                                                                       |
| “51 Renpin Loan”                | refers to our loan products targeting credit card holders                                                                                                                                                                                                   |
| “51 Renpin Loan App”            | our mobile application of “51 Renpin Loan”                                                                                                                                                                                                                  |
| “51 Stock Scheme”               | the 51 Stock Scheme approved by the Board on November 20, 2017 for the grant of RSUs to eligible employees, a summary of the principal terms of which is set forth in the section headed “Appendix IV — Statutory and General Information — D. RSU Schemes” |
| “activated users”               | users that download, install and open the apps                                                                                                                                                                                                              |
| “active individual investor(s)” | individual investor(s) on our platform whose account balance is more than RMB0 for at least one day in any relevant period                                                                                                                                  |
| “affiliate(s)”                  | with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person                                                                           |
| “Application Form(s)”           | WHITE Application Form(s), YELLOW Application Form(s) or GREEN Application Form(s), individually or collectively, as the context so requires, any of them, which is used in relation to the Hong Kong Public Offering                                       |



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## DEFINITIONS

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|                                           |                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Articles of Association” or “Articles”   | the articles of association of our Company conditionally adopted on June 24, 2018 with effect from Listing, as amended from time to time, a summary of which is set out in “Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law and Taxation” to this prospectus |
| “associate(s)”                            | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                                                                                                |
| “Board” or “Board of Directors”           | the board of Directors of our Company                                                                                                                                                                                                                                                                 |
| “Business Day” or “business day”          | a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong                                                                                                                                                    |
| “BVI”                                     | the British Virgin Islands                                                                                                                                                                                                                                                                            |
| “CAC”                                     | 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                                                                                                                                                                                                                                                                           |
| “CCASS”                                   | the Central Clearing and Settlement System established and operated by 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, or a CCASS Custodian Participant or a CCASS Investor Participant                                                                                                                                                                                                        |
| “Class B Ordinary Shareholders”           | the holder of the Class B Ordinary Shares                                                                                                                                                                                                                                                             |
| “Class B Ordinary Shares”                 | the class B ordinary shares of the Company with par value US\$0.00001 per share, 28,635,000 shares of which are currently in issue and held by the Class A Ordinary Shareholders pursuant to the Shareholders’ Agreement                                                                              |
| “Companies Law” or “Cayman Companies Law” | the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands                                                                                                                                                                                                         |



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## DEFINITIONS

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| “Companies Ordinance”                     | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time                                                                                      |
| “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                                                                                                                                                                               |
| “Company”, “our Company” or “the Company” | 51 Credit Card Inc. (51信用卡有限公司), an exempted company incorporated in the Cayman Islands with limited liability on September 20, 2017                                                                                                 |
| “Controlling Shareholder(s)”              | has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely, Mr. Sun, Rising Sun and Wukong Ltd.                                    |
| “CSRC”                                    | China Securities Regulatory Commission (中國證券管理監督委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets                                                                        |
| “Director(s)”                             | the directors of our Company                                                                                                                                                                                                         |
| “EIT Law”                                 | the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) adopted by the National People’s Congress of the PRC on March 16, 2007 and become effective on January 1, 2008                                                                    |
| “FITE Regulations”                        | Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) which were amended on September 10, 2008 and February 6, 2016                                                                 |
| “Foreign Investment Catalog”              | the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄(2015)》), which was promulgated jointly by the MOFCOM and the NDRC on March 10, 2015 and became effective from April 10, 2015 and is amended from time to time |
| “Fuzhou Network Micro Credit Company”     | Fuzhou Enniu Network Micro Credit Co. Ltd., a company incorporated in the PRC on June 23, 2017, and our PRC Operating Entity                                                                                                         |
| “GDP”                                     | Gross Domestic Product                                                                                                                                                                                                               |
| “Geinihua”                                | refers to one of our loan products, targeting non-credit card holders                                                                                                                                                                |
| “Geinihua App”                            | our mobile application of “Geinihua”                                                                                                                                                                                                 |

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## DEFINITIONS

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| “Global Offering”                               | the Hong Kong Public Offering and the International Offering                                                                                                                                                                                                                                          |
| “Green Application Form(s)”                     | the application form(s) to be completed by HK eIPO White Form Service Provider                                                                                                                                                                                                                        |
| “Group,” “our Group,” “we” or “us”              | our Company, its subsidiaries and the consolidated VIEs from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time |
| “Hangzhou Enniu”                                | Hangzhou Enniu Network Technology Co., Ltd. (杭州恩牛網絡技術有限公司), a company incorporated in the PRC on August 2, 2012, and our PRC Operating Entity                                                                                                                                                         |
| “Hangzhou Zhenniu”                              | Hangzhou Zhenniu Information Technology Co., Ltd. (杭州振牛信息科技有限公司), a company incorporated in the PRC on November 16, 2017, and our wholly-owned subsidiary                                                                                                                                             |
| “HK\$,” “Hong Kong dollar(s),” “HKD” or “cents” | Hong Kong dollars and cents, respectively, the lawful currency for the time being of Hong Kong                                                                                                                                                                                                        |
| “HK eIPO White Form”                            | the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>                                                                                                          |
| “HK eIPO White Form Service Provider”           | the HK eIPO White Form service provider designated by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>                                                                                                                                         |
| “HKICPA”                                        | Hong Kong Institute of Certified Public Accountants                                                                                                                                                                                                                                                   |
| “HKSCC”                                         | Hong Kong Securities Clearing Company Limited                                                                                                                                                                                                                                                         |
| “HKSCC Nominees”                                | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC                                                                                                                                                                                                                                            |
| “Hong Kong” or “HK”                             | the Hong Kong Special Administrative Region of the PRC                                                                                                                                                                                                                                                |
| “Hong Kong Offer Shares”                        | the 11,871,000 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in “Structure of the Global Offering” in this prospectus)                                                                                                       |

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## DEFINITIONS

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| “Hong Kong Public Offering”        | the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in “Structure of the Global Offering—The Hong Kong Public Offering” in this prospectus                   |
| “Hong Kong Share Registrar”        | Tricor Investor Services Limited                                                                                                                                                                                                                                                                                                                                                                                                         |
| “Hong Kong Underwriters”           | the underwriters of the Hong Kong Public Offering as listed in “ <i>Underwriting—Hong Kong Underwriters</i> ” in this prospectus                                                                                                                                                                                                                                                                                                         |
| “Hong Kong Underwriting Agreement” | the underwriting agreement, dated June 28, 2018, relating to the Hong Kong Public Offering, entered into among, inter alia, the Joint Global Coordinators, the Hong Kong Underwriters, our Company and the Controlling Shareholders, as further described in “Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering” in this prospectus                                                                      |
| “Independent Third Party(ies)”     | an entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules                                                                                                                                                                                                                                                                                                             |
| “IFRS”                             | the International Financial Reporting Standard(s)                                                                                                                                                                                                                                                                                                                                                                                        |
| “International Offering”           | the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in “Structure of the Global Offering” in this prospectus |
| “International Offer Shares”       | the 106,832,000 Shares being initially offered for subscription and purchased at the Offer Price under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in “Structure of the Global Offering” in this prospectus                                                                           |
| “International Underwriters”       | the underwriters of the International Offering                                                                                                                                                                                                                                                                                                                                                                                           |

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## DEFINITIONS

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| “International Underwriting Agreement” | the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Controlling Shareholders, the Joint Global Coordinators and the International Underwriters on or about July 6, 2018, as further described in “Underwriting—Underwriting Arrangements and Expenses—International Offering” in this prospectus                                                                                                                                                          |
| “Joint Bookrunners”                    | Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), China Merchants Securities (HK) Co., Limited, CLSA Limited, ABCI Capital Limited, BOCI Asia Limited, BOCOM International Securities Limited, CCB International Capital Limited, China Everbright Securities (HK) Limited, Haitong International Securities Company Limited and Silk Road International Capital Limited                                                               |
| “Joint Global Coordinators”            | Citigroup Global Markets Asia Limited, China Merchants Securities (HK) Co., Limited and CLSA Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| “Joint Lead Managers”                  | Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), China Merchants Securities (HK) Co., Limited, CLSA Limited, ABCI Securities Company Limited, BOCI Asia Limited, BOCOM International Securities Limited, CCB International Capital Limited, China Everbright Securities (HK) Limited, Haitong International Securities Company Limited, Silk Road International Capital Limited and Futu Securities International (Hong Kong) Limited |
| “Joint Sponsors”                       | Citigroup Global Markets Asia Limited and China Merchants Securities (HK) Co., Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| “Latest Practicable Date”              | June 22, 2018, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication                                                                                                                                                                                                                                                                                                                                                                                                         |
| “Listing”                              | the listing of our Shares on the Main Board of the Stock Exchange                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| “Listing Committee”                    | the Listing Committee of the Stock Exchange                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| “Listing Date”                         | the date, expected to be on or about July 13, 2018 on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange                                                                                                                                                                                                                                                                                                                                                                                      |

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## DEFINITIONS

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| “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                                                                                                                                                                                                                                                                                               |
| “Main Board”                          | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange                                                                                                                                                                                                                                                               |
| “Maximum Offer Price”                 | HK\$11.50 per Offer Share, being the maximum subscription price in the Offer Price Range                                                                                                                                                                                                                                                                                                                                                                 |
| “M&A”                                 | mergers and acquisitions                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| “MIIT”                                | Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)                                                                                                                                                                                                                                                                                                                                                                                         |
| “Minimum Offer Price”                 | HK\$8.50 per Offer Share, being the minimum subscription price in the Offer Price Range                                                                                                                                                                                                                                                                                                                                                                  |
| “MOFCOM”                              | Ministry of Commerce of the PRC (中華人民共和國商務部)                                                                                                                                                                                                                                                                                                                                                                                                             |
| “Mr. Sun”                             | Mr. Sun Haitao (孫海濤), our founder, Chairman, executive Director, Chief Executive Officer and one of our Controlling Shareholders                                                                                                                                                                                                                                                                                                                         |
| “National People’s Congress” or “NPC” | National People’s Congress of the PRC (中華人民共和國全國人民代表大會)                                                                                                                                                                                                                                                                                                                                                                                                  |
| “NBSC”                                | National Bureau of Statistics of the PRC (中華人民共和國國家統計局)                                                                                                                                                                                                                                                                                                                                                                                                  |
| “NDRC”                                | 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)                                                                                                                                                                                                                                                                                                                                                                                |
| “Offer Price”                         | the final price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in “Structure of the Global Offering—Pricing and Allocation” in this prospectus |
| “Offer Price Range”                   | HK\$8.50 to HK\$11.50 per Offer Share                                                                                                                                                                                                                                                                                                                                                                                                                    |

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## DEFINITIONS

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| “Offer Share(s)”            | the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option                                                                                                                                                                                                                                                                                                                                                                                                                              |
| “Oliver Wyman”              | Oliver Wyman Consulting (Shanghai) Ltd, a global market research and consulting company, which is an Independent Third Party                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| “Over-allotment Option”     | the option expected to be granted by the Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters for up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue up to 17,805,500 Shares (representing in aggregate approximately 15% of the initial Offer Shares) to cover over-allocations in the International Offering, if any, details of which are described in “Structure of the Global Offering—The International Offering—Over-allotment Option” in this prospectus |
| “PBOC”                      | The People’s Bank of China (中國人民銀行), the central bank of China                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| “PRC” or “China”            | the People’s Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| “PRC Company Law”           | the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                                                                                               |
| “PRC government” or “State” | the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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## DEFINITIONS

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| “PRC Legal Advisor”                             | Beijing Dacheng Law Offices, LLP, our legal advisors as to the PRC laws                                                                                                                                                                                                                                       |
| “PRC Operating Entities”                        | Hangzhou Enniu and its subsidiaries, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements                                                                                                           |
| “Preferred Share(s)”                            | the Series A-1 Preferred Shares, the Series A-2 Preferred Shares, the Series B-1 Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares                                                                                                                                            |
| “Preferred Shareholders”                        | holders of any Preferred Shares from time to time                                                                                                                                                                                                                                                             |
| “Price Determination Agreement”                 | the agreement to be entered into among our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) at or about the Price Determination Date to record and fix the Offer Price                                                                                  |
| “Price Determination Date”                      | the date, expected to be on or about Friday, July 6, 2018 (Hong Kong time) and in any event no later than Thursday, July 12, 2018, on which the Offer Price is to be fixed by an agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) |
| “Principal Share Registrar and Transfer Office” | Maples Fund Services (Cayman) Limited                                                                                                                                                                                                                                                                         |
| “prospectus”                                    | this prospectus being issued in connection with the Hong Kong Public Offering                                                                                                                                                                                                                                 |
| “QIB”                                           | a qualified institutional buyer within the meaning of Rule 144A                                                                                                                                                                                                                                               |



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## DEFINITIONS

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“Registered Shareholders”

the registered shareholders of Hangzhou Enniu, namely, Pingxiang Jiniu Assets Management Partnership (Limited Partnership) (萍鄉紀牛資產管理合夥企業(有限合夥)), Shanghai Qingniu Investments Center (Limited Partnership) (上海卿牛投資中心(有限合夥)), Beijing Tiantu Xingbei Investments Center (Limited Partnership) (北京天圖興北投資中心(有限合夥)), Shenzhen Tiantu Xingbang Investments Partnership (Limited Partnership) (深圳天圖興邦投資企業(有限合夥)), Qianhai Equity Investments Fund (Limited Partnership) (前海股權投資基金(有限合夥)), Xinhua Zhongbao Company Limited (新湖中寶股份有限公司), Hangzhou Mengniu Real Estate Brokers Ltd. (杭州盟牛房地產經紀有限公司), Xiamen Hanyun Ruochong Investments Partnership (Limited Partnership) (廈門漢雲若沖投資合夥企業(有限合夥)), Zhoushan Yingman Investments Partnership (Limited Partnership) (舟山盈滿投資合夥企業(有限合夥)), Beijing Harvest Yuanxin Investments Center (Limited Partnership) (北京嘉實元鑫投資中心(有限合夥)), Beijing Guojun Investments Company Limited (北京國俊投資有限公司), Hangzhou Xingxiaoying Investments Partnership (Limited Partnership) (杭州星效應投資合夥企業(有限合夥)), Tibet Lingfeng Xinfu Startup Investments Partnership (Limited Partnership) (西藏領風鑫服創業投資合夥企業(有限合夥)), Pingxiang Zhongda Zhixin Investments Management Partnership (Limited Partnership) (萍鄉中達智信投資管理合夥企業(有限合夥)), Sheng Xitai (盛希泰), Wang Yawei (王亞偉), Hangzhou Lingfeng Xinqi Startup Investments Partnership (Limited Partnership) (杭州領風鑫祺創業投資合夥企業(有限合夥)), Shenzhen Tiantu Xingzhuo Investments Partnership (Limited Partnership) (深圳天圖興卓投資企業(有限合夥)) and Beijing Fanshan Jinshi Investments Development Partnership (Limited Partnership) (北京凡山金石投資發展合夥企業(有限合夥)), holding approximately 20.8%, 3.9%, 8.6%, 9.3%, 1.8%, 15.8%, 2.3%, 0.4%, 1.2%, 5.4%, 9.2%, 6.7%, 0.9%, 1.4%, 1.2%, 1.6%, 1.3%, 5.5% and 3.0%, respectively

“Regulation S”

Regulation S under the U.S. Securities Act

“Relevant Persons”

the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers, employees, agents or representatives and any other parties involved in the Global Offering

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| “Rising Sun”                                               | Rising Sun Limited, an exempted company incorporated in the Cayman Islands with limited liability on September 20, 2017, one of our Controlling Shareholders                                                                     |
| “RMB” or “Renminbi”                                        | Renminbi, the lawful currency for the time being of the PRC                                                                                                                                                                      |
| “RSU”                                                      | restricted share unit                                                                                                                                                                                                            |
| “RSU Schemes”                                              | 51 Stock Scheme and 51 Award Scheme, a summary of the principal terms of which is set forth in the section headed “Appendix IV — Statutory and General Information — D. RSU Schemes”                                             |
| “RSU Trustee”                                              | Vistra Trust (Hong Kong) Limited                                                                                                                                                                                                 |
| “Rule 144A”                                                | Rule 144A under the U.S. Securities Act                                                                                                                                                                                          |
| “SAFE”                                                     | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable             |
| “SAIC” or “State Administration for Industry and Commerce” | the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)                                                                                                                                                |
| “SASAC”                                                    | State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)                                                                                                                               |
| “SAT”                                                      | The State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)                                                                                                                                                                  |
| “Series A Preferred Shareholders”                          | the holder of the Series A Preferred Shares                                                                                                                                                                                      |
| “Series A Preferred Shares”                                | the Series A-1 Preferred Shares and the Series A-2 Preferred Shares                                                                                                                                                              |
| “Series A-1 Preferred Shareholders”                        | the holder of the Series A-1 Preferred Shares                                                                                                                                                                                    |
| “Series A-1 Preferred Shares”                              | the series A-1 preferred shares of the Company with par value US\$0.00001 per share, 16,206,000 shares of which are currently in issue and held by the Series A-1 Preferred Shareholders pursuant to the Shareholders’ Agreement |
| “Series A-2 Preferred Shareholders”                        | the holder of the Series A-2 Preferred Shares                                                                                                                                                                                    |

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| “Series A-2 Preferred Shares”                | the series A-2 preferred shares of the Company with par value US\$0.00001 per share, 11,934,000 shares of which are currently in issue and held by the Series A-2 Preferred Shareholders pursuant to the Shareholders’ Agreement                                          |
| “Series B Preferred Shareholders”            | the holder of the Series B Preferred Shares                                                                                                                                                                                                                               |
| “Series B Preferred Shares”                  | the series B preferred shares of the Company with par value US\$0.00001 per share, 46,665,000 shares of which are currently in issue and held by the Series B Preferred Shareholders pursuant to the Shareholders’ Agreement                                              |
| “Series B-1 Preferred Shareholders”          | the holder of the Series B-1 Preferred Shares                                                                                                                                                                                                                             |
| “Series B-1 Preferred Shares”                | the series B-1 preferred shares of the Company with par value US\$0.00001 per share, 109,217,000 shares of which are currently in issue and held by the Series B-1 Preferred Shareholders pursuant to the Shareholders’ Agreement                                         |
| “Series C Preferred Shareholders”            | the holder of the Series C Preferred Shares                                                                                                                                                                                                                               |
| “Series C Preferred Shares”                  | the series C preferred shares of the Company with par value US\$0.00001 per share, 470,891,000 shares of which are currently in issue and held by the Series C Preferred Shareholders pursuant to the Shareholders’ Agreement                                             |
| “SFC” or “Securities and Futures Commission” | the Securities and Futures Commission of Hong Kong                                                                                                                                                                                                                        |
| “SFO” or “Securities and Futures Ordinance”  | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time                                                                                                                                                |
| “Share(s)”                                   | ordinary share(s) of US\$0.00001 each in the share capital of our Company                                                                                                                                                                                                 |
| “Shareholder(s)”                             | holder(s) of the Share(s)                                                                                                                                                                                                                                                 |
| “Shareholders’ Agreement”                    | the shareholders’ agreement entered into between our Company and, among others, the Class A Ordinary Shareholders, the Class B Ordinary Shareholders and the Preferred Shareholders dated November 22, 2017, as amended and restated on March 18, 2018 and March 19, 2018 |
| “Stabilization Manager”                      | Citigroup Global Markets Asia Limited                                                                                                                                                                                                                                     |
| “State Council”                              | the State Council of the PRC (中華人民共和國國務院)                                                                                                                                                                                                                                 |

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| “Stock Borrowing Agreement”                    | the stock borrowing agreement expected to be entered into on or around the Price Determination Date between Rising Sun Limited and the Stabilization Manager pursuant to which the Stabilization Manager may borrow up to 17,805,500 Shares from Rising Sun Limited to cover over-allocations in the International Offering |
| “Stock Exchange” or “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited                                                                                                                                                                                                                                                                                     |
| “Subsidiary(ies)”                              | has the meaning ascribed to it in the Listing Rules.                                                                                                                                                                                                                                                                        |
| “Substantial Shareholder(s)”                   | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                                                                                                                      |
| “Track Record Period”                          | the years ended December 31, 2015, 2016 and 2017                                                                                                                                                                                                                                                                            |
| “U.S.” or “United States”                      | the United States of America, its territories, its possessions and all areas subject to its jurisdiction                                                                                                                                                                                                                    |
| “U.S. dollar(s)” or “US\$” or “USD”            | United States dollars, the lawful currency for the time being of the United States                                                                                                                                                                                                                                          |
| “U.S. Securities Act”                          | the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder                                                                                                                                                                                                         |
| “Underwriters”                                 | the Hong Kong Underwriters and the International Underwriters                                                                                                                                                                                                                                                               |
| “Underwriting Agreements”                      | the Hong Kong Underwriting Agreement and the International Underwriting Agreement                                                                                                                                                                                                                                           |
| “VAT”                                          | value-added tax; all amounts are exclusive of VAT in this prospectus except where indicated otherwise                                                                                                                                                                                                                       |
| “VIE” or “VIEs”                                | variable interest entity or variable interest entities                                                                                                                                                                                                                                                                      |
| “Xiaowu Wallet”                                | refers to the small-sized loan products operated by one of our subsidiaries                                                                                                                                                                                                                                                 |
| “Xiaowu Wallet App”                            | our mobile application of “Xiaowu Wallet”                                                                                                                                                                                                                                                                                   |
| “%”                                            | per cent                                                                                                                                                                                                                                                                                                                    |

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*Certain amounts and percentage figures included in this prospectus 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.*

*In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars at an exchange rate of RMB0.82614 = HK\$1.00, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.*

*If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with “\*” and the Chinese translation of company or entity names in English which are marked with “\*” is for identification purpose only.*

*Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.*

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## GLOSSARY OF TECHNICAL TERMS

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This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

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|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “AI”               | artificial intelligence, intelligence exhibited by machines                                                                                                                                                                                                                                                                                                         |
| “Android”          | an operating system developed and maintained by Google Inc. used in touchscreen technology including smartphones and tablets                                                                                                                                                                                                                                        |
| “App(s)”           | mobile application(s), software(s) designed to run on smartphone and other mobile devices                                                                                                                                                                                                                                                                           |
| “APR”              | annual percentage rate, which is the annual rate charged for borrowing, and is expressed as a percentage that represents the actual annualized borrowing cost (including the nominal interest, the credit facilitation and service fees and the contribution under the investor protection mechanism) as a percentage of the loan principal over the term of a loan |
| “CAGR”             | compound annual growth rate                                                                                                                                                                                                                                                                                                                                         |
| “domain name”      | Internet name of a website which is registered with Network Solutions Inc.                                                                                                                                                                                                                                                                                          |
| “FITE Regulations” | Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) which were amended on September 10, 2008 and February 6, 2016                                                                                                                                                                                                |
| “WAP”              | “Wireless Application Protocol”, herein refers to access via a mobile browser using this protocol                                                                                                                                                                                                                                                                   |
| “ICP license”      | Value-added Telecommunication Service Operating Permit for Internet information services                                                                                                                                                                                                                                                                            |
| “IP”               | intellectual property                                                                                                                                                                                                                                                                                                                                               |
| “IT”               | information technology                                                                                                                                                                                                                                                                                                                                              |
| “iOS”              | a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology including, iPhones, iPods, and iPads                                                                                                                                                                                                              |
| “MAU”              | refers to monthly active users who access our platform at least once through our mobile applications during a specified calendar month, excluding repeated login                                                                                                                                                                                                    |
| “P2P”              | peer to peer lending intermediaries business                                                                                                                                                                                                                                                                                                                        |

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## GLOSSARY OF TECHNICAL TERMS

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|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “P2P lending platform”  | online consumer finance marketplace connecting investors and borrowers                                                                                                             |
| “ODPTP license”         | a permit issued by the Chinese Ministry of Industry and Information Technology for the operation of online data processing and transaction processing business                     |
| “server”                | a computer system that provides services to other computing systems over a computer network                                                                                        |
| “user acquisition cost” | calculated as sales and marketing expenses during a specified time period divided by the number of new registered users across our ecosystem during the same specified time period |
| “UV”                    | refers to unique visitor, who visits a website at least once within a specified period of time                                                                                     |
| “VATS”                  | value-added telecom services                                                                                                                                                       |
| “VATS license”          | Value-added Telecommunication Service Operating Permit, which includes without limitation, the ICP license and ODPTD license                                                       |
| “visitor”               | a user who accesses a service regardless of whether such user is a registered user                                                                                                 |



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## FORWARD-LOOKING STATEMENTS

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Certain statements in this prospectus 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 prospectus), uncertainties and other factors some of which are beyond our 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 goals and strategies;
- our future business development, financial condition and results of operations;
- the expected growth of the credit industry, and consumer finance in particular, in China;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our marketplace’s bases of borrowers, institutional funding partners and individual investors;
- our plans to invest in our platform;
- our relationships with our strategic cooperation partners;
- competition in our industry;
- relevant government policies and regulations relating to our industry; and
- general economic and business conditions.

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

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## FORWARD-LOOKING STATEMENTS

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

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

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## RISK FACTORS

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*An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. 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 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 prospectus.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**The laws and regulations governing the online consumer finance and micro-lending industries in China are evolving and subject to changes. If our online credit facilitation and investment services business is deemed to violate any PRC laws or regulations, or we fail to obtain any necessary approvals, licenses and permits and to make any necessary registrations and filings for our credit facilitation services, our business, financial conditions and results of operations would be materially and adversely affected.**

Due to the relatively short history of the online consumer finance industry in China, the PRC government has yet to establish a comprehensive regulatory framework governing our industry. Before mid-2015, the PRC government relied on general and basic laws and regulations for governing the online consumer finance industry, including the PRC Contract Law, the General Principles of the Civil Law of the PRC and related judicial interpretations promulgated by the Supreme People’s Court. Since mid-2015, the PRC government and relevant regulatory authorities have issued various laws and regulations governing the online consumer finance industry, including, among others, the Guidelines on Promoting the Healthy Development of Online Finance Industry, or the Guidelines, the Interim Measures on the Administration of Business Activities of Online Lending Information Intermediaries, or the Interim Measures, the Guidelines on Online Lending Funds Custodian Business, or the Custodian Guidelines, and Guidelines on Information Disclosure of the Business Activities of Online Lending Information Intermediaries, or the Disclosure Guidelines, Notice on Rectification of Cash Loan Business, or Circular 141, the Notice on the Special Rectification and Inspection of Risk of Online Lending Intermediaries, or Circular 57. See “Regulatory Environment—Regulations Relating to Online Consumer Finance Services.”

#### ***Requirements of the Interim Measures***

Pursuant to the Interim Measures, online lending information intermediaries shall register with local financial regulatory authorities, update the business scope in their business license to include online lending information intermediary and obtain telecommunication business license from the relevant telecommunication regulatory authority after the completion of their registration with local

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## RISK FACTORS

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financial regulatory authorities. Furthermore, according to the Interim Measure, local financial regulatory authorities may conduct onsite inspections or inquiries from time to time and instruct online lending information intermediaries to rectify their business operations that are deemed as non-compliant with the Guidelines or the Interim Measures. In July 2017, one of our consolidated VIEs, Hangzhou Yi Niu Network Technology Co., Ltd., received a rectification notice from the Financial Office of People's Government of West Lake District of Hangzhou. The rectification notice required us to adopt certain measures rectify to certain aspects of our business operation, including conducting investor risk appetite tests and setting up custody accounts with qualified banks to better manage clients and funds. We have responded with our rectification plan with implementation schedule, and already taken effective measures in response to the rectification notice. As of the date of this prospectus, we have not received any further rectification notification from the Hangzhou financial regulatory authority. However, we cannot assure you that these rectifications will fully satisfy the Hangzhou financial regulatory authority's requirement, or meet the requirement of any new rules on online consumer finance that may come into force in the future. If we are required to make further rectifications, our business and financial condition may be adversely affected.

In addition, the Interim Measures require that the balance of loans borrowed by the same individual must not exceed RMB200,000 through a single online lending information intermediary and not exceed RMB1 million in the aggregate through all online lending information intermediaries in the PRC. We currently do not offer loans to the same individual in an aggregate amount exceeding RMB200,000. We usually obtain certain information regarding applicants using internal and external databases at the time they apply for a loan through us and require them to make a representation to us that they are in compliance with the current regulation before we render credit facilitation services. However, due to the lack of an industry-wide information sharing arrangement, we cannot assure you that the aggregate amount borrowed by any customer through our platform and other online lending information intermediaries does not exceed limit set by the Interim Measures. Any violation of the Interim Measures by an online lending information intermediary after they come into effect, may subject such online lending information intermediary to certain penalties, which may include but are not limited to, criminal liabilities, warning, rectification, tainted integrity record and fines up to RMB30,000.

### ***Registration Requirements under the Disclosure Guidelines and Circular 57***

Pursuant to the Disclosure Guidelines and Circular 57, as prerequisites to complete registration with the local financial regulatory authority, an online lending information intermediary shall, among other things,

- (i) cease conducting any of the “thirteen prohibited actions” under the Interim Measures after August 24, 2016 and cease facilitating any loan of which the amount exceeds the upper limit under the Interim Measures after August 24, 2016, and shall have fully eliminated the outstanding balance of such non-compliance products that were facilitated before August 24, 2016;
- (ii) suspend facilitation of campus loan and down payment loan for purchasing real estate, and gradually reduce the outstanding balance of these loans;

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## RISK FACTORS

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- (iii) set up custody accounts with qualified banks to hold consumer funds;
- (iv) cease setting aside fund as risk reserve funds, and gradually reduce the existing amount of risk reserve funds; and
- (v) cease any illegal transfer of creditor's rights as specified under Circular 57.

The registration shall be completed by major online lending information intermediaries by April 30, 2018, and shall in no case be later than June 30, 2018. In the event that any company conducts online lending information service without completing the registration with local financial regulatory authority, the company may be required to shut down websites, have telecommunication business license revoked, and be forbidden to obtain financial service from financial institutions and shut down its P2P lending business. See “Regulatory Environment—Regulations Relating to Online Lending Information Services.” However, as of the date of this prospectus, no local financial regulatory authority has started to process application of any such registration. Specific requirements and detailed implementation rules of such registration and licensing regime in Zhejiang Province are still pending further clarification. We cannot assure you when local financial regulatory authority will start to accept submissions for such registration application and once submitted, whether our application will be accepted by the local financial regulatory authorities and will be recognized by the local financial regulatory authorities as having fulfilled the requirements under applicable rules and regulations. Failure to register as an online lending information intermediary, if deemed as violation of the Interim Measures or any other relevant regulations or rules, may result in, among others, regulatory warning, correction order, condemnation, fines or criminal liability to us, our business, financial condition, results of operations and prospects would be materially and adversely affected.

### ***Restrictions under Circular 141***

Notice on Rectification of Cash Loan Business, or Circular 141, promulgated by the Head Office for Special Rectification of Online Finance Risk and Head Office for Special Rectification of Peer-to-Peer Online Lending on December 1, 2017 further specifies that cash loan which is characterized by the lack of specific scenes, designated purposes, targeted customers and collateral may be subject to inspection and rectification, and the online lending information intermediary shall not facilitate loans without designated purposes. It is also stipulated in Circular 141 that online lending information intermediary (i) shall include the loan interest and other forms of fees charged by it in an overall annualized interest rate when calculating the overall cost of loans, and conform to the restrictions on interest rates as specified in applicable rules on private lending; (ii) shall not deduct loan interest, service fees, administrative fee and deposit from a loan principal in advance; (iii) shall not outsource core business, including customers information collection, customers identifying and screening, credit assessing and opening accounts for customers; and (iv) shall not provide online lending services to students or borrowers who are not capable of repayment. Moreover, Circular 141 reiterates that banking financial institutions may not accept credit enhancement services provided by third-party cooperative institutions without guarantee license and shall ensure that third-party cooperative institutions receive no interest and service fee payments from borrowers. We have adjusted our business practice to comply with the related regulations and as advised by our PRC Legal Advisor, our adjusted practice complies with the related regulations in all material aspects. However, we cannot assure you that our existing practices would not be challenged by governmental authorities under Circular 141.

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## RISK FACTORS

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### *Regulations for Online Micro Loan Companies*

The regulatory regime and practice with respect to online micro loan companies are also evolving and subject to uncertainty. In November 2017, the Internet Finance Rectification Office issued the Notice on the Immediate Suspension of Approvals for the Establishment of Online Micro loan Companies, which suspends the approval of new online micro loan companies. On December 1, 2017, the Internet Finance Rectification Office and the Online Lending Rectification Office jointly issued the Circular 141, which states the same requirement and further imposes measures to strengthen the regulation of online micro loan companies. On December, 8, 2017, the Online Lending Rectification Office issued the Implementation Plan of Specific Rectification for Risks in Micro loan Companies and Online Micro loan Companies, or the Rectification Implementation Plans of Online Micro loan Companies, which further details the requirements on online micro loan companies. See “Regulatory Environment—Regulations Relating to Micro Loan Companies.” Fuzhou Network Micro Credit Company obtained an establishment approval on December 29, 2016 and registered with the local administration for industry and commerce authorities on June 23, 2017. As advised by our PRC Legal Advisor, we believe we comply with applicable requirements for the issuance of the Micro loan License to Fuzhou Network Micro Credit Company and there is no violation of relevant laws and regulations which may lead to the consequence that the Fuzhou Network Micro Credit Company may not be able to obtain the Micro loan License. In addition, the relevant authorities will initiate inspections and investigations to review the qualification and operational compliance of the existing online micro loan companies in accordance with the Rectification Implementation Plans of Online Micro loan Companies. We cannot assure you that we would not be subject to any rectification requirements from the relevant authorities or administrative penalties due to non-compliance with any requirements, nor can we assure you that we will be able to fulfill rectification requirements, if any, and obtain, maintain such license or renew the license upon its expiration to continue our operation of online micro loan company. Although we believe that Fuzhou Network Micro Credit Company is only a supplementary funding source and we do not intend to rely on it as a major source for funding, to the extent we need to obtain funding from Fuzhou Network Micro Credit Company, if we are unable to maintain or renew the micro loan license or obtain any other requisite approvals, licenses or permits applicable to our business, our business, financial condition and results of operations would be materially and adversely affected.

### *Prohibition on Credit Enhancement Services*

Moreover, although the Guidelines prohibit online consumer finance service providers from providing “credit enhancement services”, it is uncertain how the “credit enhancement services” mentioned in the Guidelines will be interpreted due to the lack of detailed implementing rules in the Guidelines. Given the prohibition by the Interim Measures on providing security or guarantee of principals and interests to lenders, we believe that the term “credit enhancement services” is generally perceived in the online marketplace lending industry to mean providing guarantees to investors in relation to the return of loan principal and interest. Under our previous quality assurance program, if a loan is delinquent for a certain period of time, we may withdraw a sum from the quality assurance program contributed by borrowers to repay investors the principal and accrued interest for the defaulted loan unless the quality assurance program is depleted. Under our service agreements with investors, the quality assurance program was operated under the principle of “limited compensation” and in no circumstance were we under any legal or contractual obligation to compensate the investors

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## RISK FACTORS

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fully out of the quality assurance program. Under the current investor protection program, all borrowers are required to contribute a certain percentage of loan amount in cash to this program under their separate account with the independent third party guarantee company. In the event that a loan defaults, a certain amount of fund will be withdrawn from the program and used to repay investors directly from this guarantee company up to the depletion of the fund. We no longer charge the borrowers or manage the fund for purpose of investors compensation. Although the purpose of the quality assurance program is to limit investor losses due to borrower defaults and not to provide investors with guarantees in relation to the return of loan principal and interest, and our PRC Legal Advisor advised us that our past quality assurance program did not and the current investor protection program does not violate relevant laws and regulations, we cannot rule out the possibility that our past quality assurance program model or the current investor protection program managed by the third party guarantee company might be viewed by the PRC regulatory authorities as providing, to a certain extent, a form of guarantee or otherwise a form of “credit enhancement services” prohibited under the Guidelines. Furthermore, if our past quality assurance program and the current investor protection program is determined by the PRC regulatory authorities as providing a form of guarantee, under the Provisions on Several Issues Concerning Laws Applicable to Trials of Private Lending Cases, or the Private Lending Judicial Interpretations, issued by the Supreme People’s Court on August 6, 2015 and being effective on September 1, 2015, if requested by the investor through a court order, we may be required to assume the obligations as to the defaulted loan as a guarantor. For a summary of the Private Lending Judicial Interpretations, see “Regulatory Environment—Regulations on Loans between Individuals.”

**We may be deemed to operate financing guarantee business by the PRC regulatory authorities. As such, we may become subject to penalties, and our business, financial condition, results of operations and prospects could be materially and adversely affected**

The State Council promulgated the Regulations on the Supervision and Administration of Financing Guarantee Companies, or the Financing Guarantee Rules on August 2, 2017 which has become effective on October 1, 2017. Pursuant to the Financing Guarantee Rules, “financing guarantee” refers to the activities in which guarantors provide guarantee to the guaranteed parties as to loans, bonds or other types of debt financing, and “financing guarantee companies” refer to companies legally established and operating financing guarantee business. According to The Financing Guarantee Rules, the establishment of financing guarantee companies shall be subject to the approval by the competent government department, and unless otherwise stipulated by the state, no entity may operate financing guarantee business without such approval. If any entity violates these regulations and operates financing guarantee business without approval, the entity may be subject to penalties including ban or suspension of business, fines of RMB500,000 to RMB1,000,000, confiscation of illegally gains if any, and even criminal activities.

We entered into cooperative arrangements with institutional funding partners such as banks and consumer finance companies in which they were identified as the lender and with borrowers where the borrowers were required to repay the principal and financing service fees directly to institutional funding partners. However, when borrowers under arrangements with institutional funding partners failed to repay, we were obligated to compensate the relevant institutional funding partner the loss incurred.



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Due to the lack of further interpretations, the exact definition of the term “operating financing guarantee business” under the Financing Guarantee Rules is unclear. It is uncertain whether we would be deemed to operate financing guarantee business because of our current arrangements with banks, consumer finance companies and other institutional funding partners. As of the date of this prospectus, we have not been subject to any fines or other penalties under any PRC laws or regulations related to financing guarantee business. As advised by our PRC Legal Advisor, we believe that our current business, such as the compensation to the institutional funding partners with our own funds, were not deemed as financing guarantee business.

On December 1, 2017, the Internet Finance Rectification Office and the Online Lending Rectification Office jointly issued the Circular 141. According to the Circular 141, where a banking financial institution (including banks, trust companies and consumer finance companies, etc.) cooperates with a third-party institution to carry out loan business, it may not outsource its core businesses such as credit examination and risk control. Moreover, Circular 141 stipulates that the credit facilitation business should return to its origin and the banking financial institution may not accept the credit enhancement service from any third party without the financial guarantee qualification. In light of the recent issuance of the Circular 141, the foregoing practice with funding partners might be regarded as credit enhancement services that are prohibited. We therefore are reviewing our cooperation with institutional funding partners to comply with regulatory requirements by introducing licensed financial guarantee companies to provide credit enhancement service for our cooperation with banking financial institutions as specified in the Circular 141.

Given the evolving regulatory environment of the financing guarantee business, we cannot assure you that the recently obtained financing guarantee license will enable us to resume our collaboration with our institutional funding partners. If we are no longer able to collaborate with our institutional funding partners, or become subject to penalties due to such collaborations, our business, financial condition, results of operations and prospects could be materially and adversely affected.

### ***Information Disclosure of Online Lending Information Intermediaries***

In accordance with the Guidelines and the Interim Measures, on August 23, 2017, the CBRC issued the Guidelines on the Information Disclosure of Business Activities by Online Lending Information Intermediaries, or the Disclosure Guidelines, which stipulate that consumer lending information intermediary platforms shall disclose relevant information on their websites and other Internet channels, and the Disclosure Guidelines have provided detailed requirements for such information disclosure. According to the Disclosure Guidelines, to the extent that consumer lending information intermediary platforms that have provided the services before the issuance of the Disclosure Guidelines are not in full compliance with the requirements, they are required to make rectification within a six-month rectification period starting from August 23, 2017, the date the Disclosure Guidelines was promulgated. For platforms that fail to make such rectification, sanctions could be imposed by the relevant regulatory departments, including but not limited to, supervision interview, warning letter, rectification, tainted integrity record, fines up to RMB30,000, and criminal liabilities if the act constitutes a criminal offense. Since various detailed requirements of information



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disclosure are made by the Disclosure Guidelines, we may need to adjust or change our methods of information disclosure and content of information disclosed within the rectification period in order to fully comply with the Disclosure Guidelines. See “Regulatory Environment—Regulations on Online Lending Information Services.”

### *Our Policies and Procedures*

To comply with existing rules, laws, regulations and governmental policies relating to the marketplace lending service industry, we have implemented various policies and procedures, including, without limitation, the following: (i) we do not provide guarantees to investors under any agreement for the full return of loan principal and interest; (ii) to protect our investors’ interest, we established the investor protection program through which our borrowers are required to contribute a certain sum of amount to an independent account currently managed by Beijing Anjiashihang Financial Guarantee Ltd., a third-party licensed guarantee company. We cannot discretionarily withdraw funds from the account managed by the guarantee company; (iii) we do not hold investors’ funds and funds loaned through our platform were deposited into and settled by a qualified bank, Bank of Beijing; (iv) we have obtained the Internet information services license, or the ICP License, as an Internet information provider from the relevant local counterpart of the Ministry of Industry and Information Technology in accordance with applicable laws; (v) we fully disclose on our Apps all relevant material information to investors and borrowers, such as disclosure to borrowers regarding interest rates, payment schedule, service fees, and other charges and penalties; and (vi) we devote our effort to maintain the security of our platform and the confidentiality of the information provided and utilized across our platform. However, due to the lack of detailed rules and the fact that the rules, laws and regulations are expected to continue to evolve in this newly emerging industry, we cannot be certain that our existing practices would not be deemed to violate any existing or future rules, laws and regulations.

Given the evolving regulatory environment, there is uncertainty as to how the requirements in the Guidelines, the Interim Measures, the Custodian Guidelines, the Disclosure Guidelines, Circular 57 and Circular 141 will be interpreted and implemented. See “Regulatory Environment—Regulations on Online Lending Information Services.” To the extent that we are not able to fully comply with these requirements, our business, financial condition and results of operations may be materially and adversely affected. We are unable to predict with certainty the impact, if any, that future legislation, or regulations relating to the online consumer finance industry will have on our business, financial condition and results of operations. Furthermore, the growth in popularity of online consumer finance increases the likelihood that the PRC government will seek to further regulate this industry.

As of the date of this prospectus, we have not been subject to any material fines or other penalties under any PRC laws or regulations including those governing the marketplace lending service industry in China. However, if our practice is deemed to violate any rules, laws or regulations, we may face injunctions, including orders to cease our business activities, and may be exposed to other penalties as determined by the relevant government authorities as well. If such situations occur, our business, financial condition and prospects would be materially and adversely affected.

While we intend to obtain, using our best efforts, all requisite permits and complete the necessary filings, renewals and registrations on a timely basis for our operating entities, there is no assurance

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that we will be able to obtain all required permits given the significant amount of discretion the local authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. If we fail to receive required permits in a timely manner or obtain or renew any permits and certificates, we may have to postpone our operations, be subject to penalties (including fines, confiscation of any gains due to noncompliant operations, suspension of operations), or compensate any economic loss suffered by our users or other relevant parties, which may materially and adversely affect our business and results of operations.

**We have a limited operating history in a new and evolving market, which makes it difficult to evaluate our prospects.**

We are a young and fast-growing company with a limited operating history. We started our business in May 2012 as an online bill management tool/application for credit card holders. We did not enter the increasingly competitive consumer finance market until 2015.

In addition, we have limited experience in serving our broad borrower base and tailoring to their specific needs and risk profile. The borrowers we facilitate range from credit card holders who maintain credit lines from multiple banks to consumers who are currently unserved by traditional financial institutions. We evaluate and approve these prospective borrowers' credit applications submitted online, and we rely on investors, our micro loan subsidiary, and historically rely on trusts established in collaboration with trust companies cooperated with institutional funding partners to fund such loans. We may continue to introduce new loan products, adjust our existing loan products and our proprietary credit assessment model, or adjust our business operation in general. Attracting and retaining borrowers and investors is critical to increasing the volume of loans facilitated through our platform. Any significant change to our business model not achieving the expected results may have a material and adverse impact on our financial condition and results of operations. As a result, it is difficult to effectively assess our future prospects.

You should consider our business and prospects in light of the risks and challenges we encounter or may encounter in light of the rapidly evolving market in which we operate and our limited operating history. These risks and challenges include our potential failure to, among other things:

- attract, retain and develop active users of our Apps;
- navigate a complex and evolving regulatory environment;
- continue to develop, maintain and scale our platform;
- convince prospective borrowers, investors of the values of our products and services;
- increase our market share and offer personalized and competitive financial products;
- increase the utilization of our financial products by existing users;

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## RISK FACTORS

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- offer attractive financing service fees while driving the growth and profitability of our business;
- attract, retain and develop individual funding sources;
- continue to revise and update the effectiveness, scale and speed of our proprietary credit assessment technology;
- improve our operational efficiency;
- attract, retain and motivate talented employees to support our business growth;
- enhance our technology infrastructure to support the growth of our business and maintain the security of our system and the confidentiality of the information provided and utilized across our system;
- effectively maintain and scale our financial and risk management controls and procedures;
- navigate the fluctuation of economic conditions;
- defend ourselves against legal and regulatory actions, such as actions involving intellectual property or privacy claims; and
- operate without being adversely affected by the negative publicity about the industry in general and our company in particular.

**If our credit management services are insufficiently attractive to or fail to satisfy the demands of credit card holders and other users, applicants or credit card issuing banks, our business, financial condition and results of operations will be materially affected.**

In May 2012, we launched our business as a user-friendly credit card management tool (“the 51 Credit Card Manager App”), which later becomes the cornerstone for the establishment and development of an ecosystem for comprehensive financial services. As of December 31, 2017 and March 31, 2018, we have served approximately 81.0 million and 85.6 million registered users in our ecosystem, respectively.

The credit management services we now offer through the 51 Credit Card Manager App include credit card bill management service, repayment facilitation and other value added services. We have upgraded our credit management service to one-stop personal credit management services covering a full spectrum of bills our users encounter in their daily lives, such as home mortgage, automobile mortgage and other personal installment loans.

Our credit management services may not be able to meet certain specific market demands or there may not be sufficient market demand for certain services that we offer. In addition, the introduction of new platform services and mobile application functions may not be favorably accepted

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by existing users. Furthermore, there may be defects, errors or failures on our App. Any negative publicity or news about our credit card management services may greatly impact our reputation, the number of active users on the App and divert the attention of our management. Moreover, we may need to compete with other credit card management Apps.

If the credit management services do not attain sufficient market acceptance, become obsolete or fail to satisfy the demands of credit card holders and other users, we may be unable to increase or maintain the number of users on our platform. Consequently, the decrease of users on our platform will adversely impact the conversion of users to customers which in turn could adversely affect our consumer finance business. We generate revenue from credit facilitation and investment services, credit card technology services and other services. However, we cannot assure you that the users of our credit card manager platform will continue using these services.

**The credit facilitation service fees we charge borrowers 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 majority of our revenues from credit facilitation and service fees we charge borrowers. During 2017, credit facilitation and service fees accounted for 71.7% of our total revenues. Any material decrease in our credit facilitation service fees would have a substantial impact on our revenues and profitability. In the event that the amount of credit facilitation service fees we charge to borrowers for loans we facilitated decrease significantly in the future and we are not able to reduce our cost and expenses, our business, financial condition and results of operations will be harmed.

The level of credit facilitation service fees we charge borrowers may be affected by a variety of factors, including our borrowers' creditworthiness, the competitive landscape of our industry, our access to capital and regulatory requirements. Our credit facilitation service fees may also be affected by changes in our 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 credit facilitation service fees to compete effectively. Certain consumer financing solutions offered by traditional financial institutions may provide lower fees than our credit facilitation service fees, which may have a material adverse effect on the credit facilitation service fees that we will be able to charge. Furthermore, as our borrowers establish their credit profile over time, they may qualify for and seek out other consumer financing solutions with lower fees, including those offered by traditional financial institutions offline.

In addition, our credit facilitation service fees may be 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.

Our credit facilitation service fees, to the extent they are fully or partially deemed as loan interest, may also be subject to the restrictions on interest rates as specified in applicable rules 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, PRC courts shall uphold any

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interest rate agreed between the borrower and the lender if the annual interest rate under the agreement is below 24%. If the annualized interest rate agreed exceeds 36%, the agreed interest amount in excess of a 36% annualized interest rate shall be invalid. Where the borrower requests the lender to return the part of interest exceeding 36% of the annualized interest that has been paid, PRC courts shall uphold such request. If the services fees that we charge are considered as loan interest and we are deemed as a lender, and if the sum of the annualized interest that lenders charge and our service fees exceed 24%, the borrower may refuse to pay the portion of the sum of the service fees and the annualized interest that lenders charge that exceeds the 24% limit and PRC courts may not uphold our request to demand the portion of the sum of the service fees and the annualized interest that lenders charge that exceeds the 24% limit from such borrower. If the sum of the annual interest that lenders charge and our credit facilitation service fees exceed 36%, the portion of the sum of the credit facilitation service fees and the annualized interest that lenders charge that exceeds the 36% limit is invalid, and even if the borrower has paid the portion of the sum of the credit facilitation service fees and the annualized interest that lenders charge that exceeds the 36% limit, such borrower may request us to refund the portion of the sum of the credit facilitation service fees and the annualized interest that lenders charge that exceeds the 36% limit and the PRC courts will uphold such request.

In April 2017, the National Rectification Office issued the Notice on Rectification of Carrying out “Cash Loan” Business, or the Notice, which requires the local counterparts of the National Rectification Office to perform a comprehensive inspection of cash loan business conducted by online platforms and require such platforms to conduct necessary improvements and corrections within a designated period to comply with the relevant requirements specified in the Notice. The Notice focuses on preventing malicious fraudulent activities, loans that are offered at extortionate interest rates and violence in the loan collection processes. There are uncertainties with respect to the interpretation and application of the laws and regulations as stated in the Notice and their applicability to our business practices.

In August 2017, the Supreme People’s Court issued the Several Opinions on Further Strengthening the Judicial Work in the Finance Sector, according to which if an online lending information intermediary and a lender collude to evade the interest rate ceiling as set out by the law through disguising loan interest as credit facilitation service fees, then such arrangements shall be declared as invalid. If we are deemed as evading the interest rate ceiling as set out by the law in such a way, our business, financial condition and results of operations could be materially and adversely affected.

In 2017, the average APR for our loan products targeting credit card holders ranged from 14.9% to 27.6%, and the average APR for major loan products serving non-credit-card holders was 30.8%. In addition, from February 2017 to November 2017, we also facilitated certain small-sized short-term loans whose APR exceeded 36%. As a result of shifts in our strategy and to comply with the applicable requirements under new regulations, we ceased to offer such small-sized short-term loans in December 2017. Currently, we do not offer loan products with loan interest of over 36%. To the extent our loan product credit facilitation service fees and various other fees charged to our customers are fully or partially deemed as loan interest, the annualized fee rate of a portion of our loan products may be between 24% and 36%, which complies with applicable regulatory requirements. As a result, we do not believe that our current service fees and various other fees charged to our customers violate these provisions. However, if our current fee level is deemed to be excessive under any existing or future

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## RISK FACTORS

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relevant PRC laws, regulations and rules, parts or all of the fees we collected may be ruled as invalid by the PRC courts, and we may face, among others, regulatory warning, correction order, or be required to reduce the fees and annual interest rate we charge, payable by our customers. In addition, any future changes on APR ceiling may affect our profitability. If such situations were to occur, our business, financial condition, results of operations and prospects would be materially and adversely affected.

**Our business relies on the access to our user's credit card statements based on our user's authorization. If such access is restricted, our business, financial condition and results of operations will be materially affected.**

Our credit management tool, the 51 Credit Card Manager App, is the cornerstone for the development of our ecosystem for financial services, and the credit card statements of our users are the basis of our credit management service. We obtain the credit card statements of our users primarily from the users' email accounts based on the users' authorization or from the users' import. If the banks no longer send the credit card statements to the users' email boxes or send cellphone messages to the users, or the bank closes the port or interface for the export of credit card statements, such as the port or interface of online banking accounts, or if our users no longer use email boxes to receive credit card statements or the users stop importing credit card statements, we may be unable to obtain the credit card statements of our App users. Failure to obtain credit card statements may materially affect our ability to provide credit management services and the conversion of credit card holders into our customers. As a result, our service opportunities to our users will be jeopardized. If the inability to obtain the credit card statements of our App users' continues, our business, financial condition and results of operations will be materially affected.

**We rely on our proprietary credit assessment model in assessing the creditworthiness of our borrowers and the risks associated with loans. If our credit assessment model is flawed or ineffective, or if we otherwise fail or are perceived to fail to manage the default risks of loans facilitated through our platform, our reputation and market share would be materially and adversely affected, which would severely impact our business and results of operations.**

Our ability to attract borrowers and investors to, and build trust in, our platform is significantly dependent on our ability to effectively evaluate borrowers' credit profiles and likelihood of default. To conduct this evaluation, we utilize our proprietary credit assessment model, iCredit system, which is built based on massive data collected through our credit management platform and various other channels, and strengthened by our sophisticated artificial intelligence and advanced machine learning techniques. The iCredit system categorizes borrowers into different credit ratings according to their risk profiles, based on which our risk pricing system assigns them appropriate interest rates and credit limits.

If we are unable to effectively and accurately assess the credit profiles of borrowers or price loan products appropriately, we may either be unable to offer attractive interest rates and credit limits to borrowers, or be unable to maintain low delinquency rates of transactions facilitated by us. In addition, credit limits are set by loan products, and thus a borrower may have a credit limit for each type of loans on our platform.

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## RISK FACTORS

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A new iCredit score is generated each time a borrower applies for a loan, which may change the borrower's credit limit for that type of loan. Although we do not allow borrowers to extend their loans facilitated by us, it is possible that borrowers may take out new loans on our platform to pay off their other existing loans facilitated by us or for other purposes. Moreover, given the practical difficulty in tracking and controlling the usage of borrowed funds, we are not able to effectively prevent borrowers from "rolling over" their loans on our platform. The iCredit system may not be able to timely and accurately adjust down the credit rating assigned to a borrower if such borrower masks his or her deteriorating creditworthiness by refinancing existing loans with new loans on our platform. We also currently do not have a comprehensive way to determine the outstanding balance of the loans the prospective borrowers incurred through other consumer finance platforms, creating the risk whereby a borrower may utilize our loan products in order to pay off loans from other sources. If we are unable to effectively classify borrowers into the relative risk categories, we may be unable to offer attractive interest rates for borrowers and returns for investors and effectively manage the default risks of loans facilitated through our platform. We continuously refine the algorithms, data processing and machine learning used by the iCredit, but if any of these decision-making and scoring systems contain programming or other errors, 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.

We continuously monitor certain information of the borrower after the loan is facilitated and may take corresponding actions, however we cannot guarantee that such post-facilitation information available to us is comprehensive or the actions we take are effective to prevent default on the part of the borrower and thereby maintain a reasonably low default rate for loans facilitated through our platform. Because investment in loans on our platform involves inherent risks, we are unable to completely eliminate borrowers' default despite various preventive and investor protection measures we have taken or will take.

If any of the foregoing were to occur in the future, investors may rescind their affected investments or decide not to invest in loans, or borrowers may seek to revise the terms of their loans or reduce the use of our platform for financing, and our reputation and market share would be materially and adversely affected, which would in turn jeopardise our business and results of operations.

**We incurred net losses in the Track Record Period and had net current liabilities as of December 31, 2015 and may continue to incur losses or net current liabilities in the future.**

We had a net loss of RMB693.3 million, RMB2,231.4 million, and RMB1,378.5 million for the years ended December 31, 2015, 2016, and 2017 and had incurred net current liabilities of RMB898.7 million as at 31 December 2015. Our net losses during the Track Record Period was affected by the changes in fair value of Preferred Shares, which we incurred fair value loss of Preferred Shares of RMB575.4 million, RMB744.0 million and RMB2,260.9 million during the Track Record Period. We cannot assure you that we will be able to generate net profits or net current assets in the future. For example, we may continue to recognize fair value loss of Preferred Shares for the year ended December 31, 2018. Furthermore, we have adopted share incentive plans in the past and may adopt new share incentive plans in the future, which have caused, and will result in, significant share-based



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## RISK FACTORS

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compensation expenses to us. In the future, we will continue to invest resources to develop products, enhance our risk management capabilities and increase brand recognition. These efforts may prove more costly than we currently anticipate. As a result of the foregoing and other factors, we cannot assure you that we will not continue to incur net losses or net current liabilities in the future.

**We may be adversely affected by the complexity, uncertainties and changes in the PRC regulation of Internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business, financial condition and results of operations.**

The PRC government extensively regulates the Internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies 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 our website and the domain name of our Apps. We do not directly own the website or the domain name of our Apps due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including Internet information provision services. This may significantly disrupt our business, subject us to sanctions, compromise enforceability of related contractual arrangements, or have other harmful effects on us.

The evolving PRC regulatory system for the Internet industry may lead to the establishment of new regulatory authorities. For example, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office (with the involvement of the State Council Information Office, the Ministry of Industry and Information Technology, or the MIIT, and the Ministry of Public Security). The primary role of this new agency is to facilitate the 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 in relation to the Internet industry.

PRC regulations impose sanctions on entities for engaging in the provision of Internet information services of a commercial nature without having obtained an Internet content provider license, or the ICP License, and sanctions for engaging in the operation of online data processing and transaction processing without having obtained a VATS license for online data processing and transaction processing, or ODPTP license (ICP and ODPTP are both sub-sets of value-added telecommunication business). These sanctions include corrective orders and warnings from the PRC communication administration authority, fines and confiscation of illegal gains and, in the case of significant infringements, the websites and mobile Apps may be ordered to cease operation. In accordance with the Interim Measures, an internet lending information intermediary shall, after completion of record-filing registration with the local financial regulator, apply for corresponding telecommunications business license pursuant to the relevant provisions of telecommunications authorities. Nevertheless, as advised by our PRC Legal Advisor, the interpretation of such requirement and PRC regulatory authorities' enforcement of regulations related to telecommunication business

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## RISK FACTORS

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licenses in the context of online consumer finance industry remains uncertain due to the lack of local detailed guidance and enforcement policy, it is unclear whether online consumer finance service provider like us are required to obtain ICP License or ODPTP license, or any other kind of value-added telecommunication business licenses.

As of the Latest Practicable Date, our relevant operating entities have obtained ICP Licenses and in the event future regulations require us to obtain ODPTP licenses, as advised by our PRC Legal Advisor only Hangzhou Yiniu as the operator to conduct the online lending information intermediary business will be required to obtain such licenses and we will ensure Hangzhou Yiniu to apply for such licenses after we complete the online lending information intermediaries registration with the local financial regulatory authority. Given the evolving regulatory environment of the consumer finance industry and value-added telecommunication business, we cannot rule out the possibility that the PRC communication administration authority or other government authorities will explicitly require any of our consolidated VIEs or subsidiaries of our consolidated VIEs to obtain ICP Licenses, ODPTP licenses or other value-added telecommunication business licenses, or issue new regulatory requirements to institute a new licensing regime for our industry. If such value-added telecommunication business licenses are clearly required in the future, or a new license regime is introduced or new regulatory rules are promulgated, we cannot assure you that we would be able to obtain any required license or other regulatory approvals in a timely manner, or at all, which would subject us to the sanctions described above or other sanctions as stipulated in the new regulatory rules, and materially and adversely affect our business and impede our ability to continue our operations.

**We may not be able to meet the Qualification Requirements for VATS and our plan to unwind the Contractual Arrangements may be subject to certain limitations.**

According to the FITE Regulations, foreign investor who invests in VATS business in the PRC must possess the Qualification Requirement of VATS as defined below. The MIIT issued a guidance memorandum on its official website in relation to the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the foreign investor's satisfactory proof of prior experience in operating value-added telecommunications businesses and a proven track record of good performance of such business (the "Qualification Requirement of VATS" or "Qualification Requirements"). The guidance memorandum, however, does not provide any further guidance on the proof, record or document required to support the application and does not purport to provide an exhaustive list on the application requirement.

Based on the consultations with an officer of the Policy and Standards Division of Department of Information, Communications and Development (信息通信發展司政策標準處) of MIIT, the officer confirmed that steps those taken by us (e.g. establishing overseas offices, holding overseas domain names and conducting operation of websites and other businesses in relation to VATS) are generally regarded as relevant factors to prove that the Qualification Requirements are fulfilled, subject to a substantive examination by the MIIT in accordance with the approval procedures under PRC laws and regulations. Our PRC Legal Advisor have advised that, as of the Latest Practicable Date, no applicable PRC laws, regulations or rules provided clear guidance or interpretation on the Qualification Requirement of VATS.

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## RISK FACTORS

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Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas VATS for the purposes of being qualified, as early as possible, to acquire the entire equity interests in PRC Operating Entities when the relevant PRC laws and authorities allow foreign investors to invest and to hold (or to increase, as applicable) equity interests in enterprises which engage in VATS. As the steps taken by us to fulfil the Qualification Requirements are subject to the MIIT's substantive examination, we cannot assure you that we will be able to meet the Qualification Requirements in the future and the plan we have adopted will be sufficient to satisfy the Qualification Requirements.

Our Group plans to unwind and terminate the Contractual Arrangements as soon as practicable in respect of the provision of our VATS to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under applicable PRC laws and regulations if the relevant government authority grants VATS license to sino-foreign equity joint ventures to be established by the Company. However, we may be unable to unwind the Contractual Arrangements before we are in a position to comply with the Qualification Requirements. If we otherwise attempt to unwind the Contractual Arrangements before we satisfy the Qualification Requirements, we may be considered by the regulatory authorities as ineligible for provision of our VATS, which could have a material adverse effect on our business, financial condition and results of operations.

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

The volume of transactions conducted on our online platform is one of the key metrics to our financial performance. The amount of transactions that we have facilitated to borrowers has grown rapidly since we launched the consumer finance service. The total facilitation volume of loans facilitated through our platform increased from RMB815.3 million in 2015 to RMB10,299.3 million in 2016, and further increased to RMB33,890.6 million in 2017. However, this growth rate may reduce in the future as the market becomes more fragmented and competitive. The success of our business depends on whether we can retain the existing borrowers and continuously attract additional borrowers and investors.

We receive on a day-to-day basis a large volume of loan applications solely from online sources. However, a large amount of applications do not meet our minimum criteria. If there are insufficient qualified loan requests, investors may be unable to deploy their capital to our platform in a timely or efficient manner and may seek other investment opportunities. Conversely, if there are insufficient individual investors commitments, borrowers may not obtain capital through our platform and may turn to other sources for their borrowing needs.

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

- our brand recognition and reputation;
- the cost the borrowers bear;

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## RISK FACTORS

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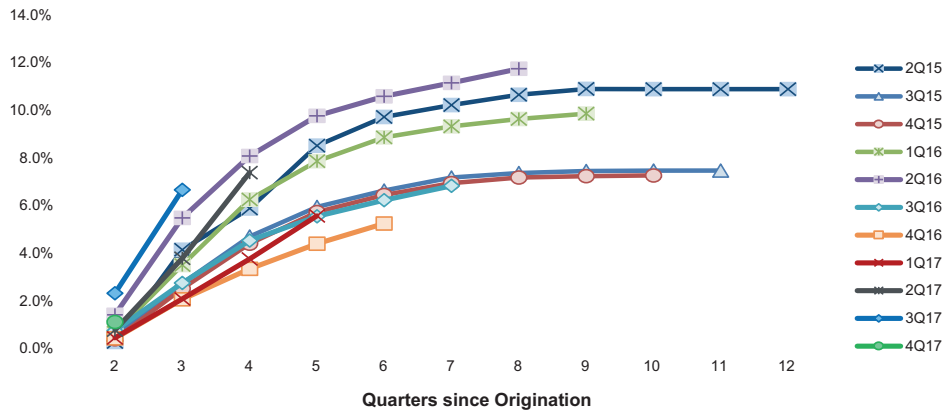
- the interest rates offered to borrowers or individual investors relative to market rates;
- the facilitation service fees charged;
- installment plans offered, our efficiency in engaging prospective borrowers;
- our ability to convert registered users of our platform to borrowers;
- utilization of 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 platform;
- 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 qualifications to ensure the quality of the transactions we facilitate, which may negatively affect the growth of transactions facilitated to borrowers. If any of our current user acquisition channels, including App stores, third-party applications, search engines and social media channels, becomes less effective, if we are unable to continue to use any of these channels, or if we are not successful in using new channels, we may not be able to attract new borrowers and investors in a cost-effective manner or convert potential borrowers and individual investors into active borrowers and individual investors, and may even lose our existing borrowers and individual investors to our competitors. If we are unable to attract qualified borrowers and sufficient individual investors commitments or if borrowers and individual investors do not continue to participate in our platform at the current rates, we might be unable to increase our loan transaction volume and revenues as we expect, and our business and results of operations may be adversely affected.

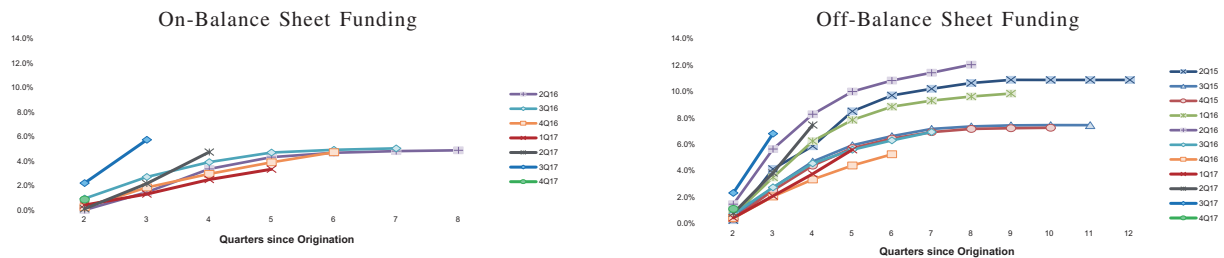
## RISK FACTORS

If we are unable to maintain low delinquency rates for loans facilitated by us, our business, financial condition and results of operations may be materially and adversely affected. Further, historical delinquency rates may not be indicative of future results.

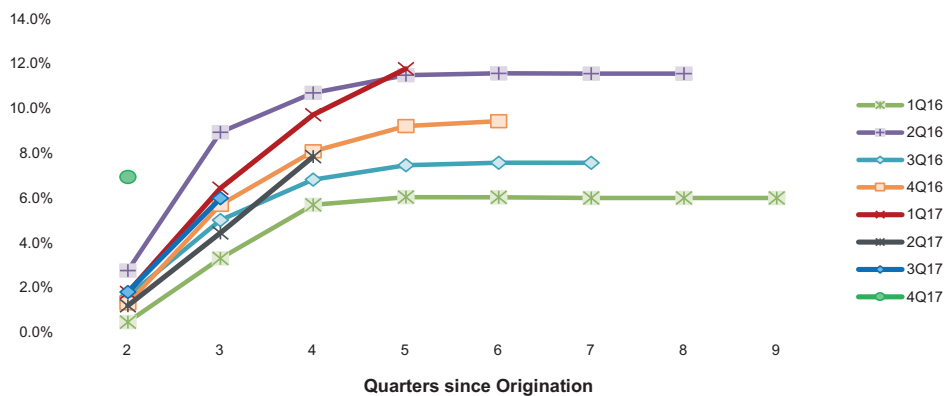
The following charts display the historical cumulative 90-days plus past due delinquency rates by vintage for loan products serving credit card holders (i.e., 51 Renpin Loan) and loan products serving non-credit-card holders up to March 31, 2018.



The following charts display the historical cumulative 90-day plus past due delinquency rates by vintage for loan products serving credit card holders (i.e., 51 Renpin Loan) by different funding sources up to March 31, 2018:

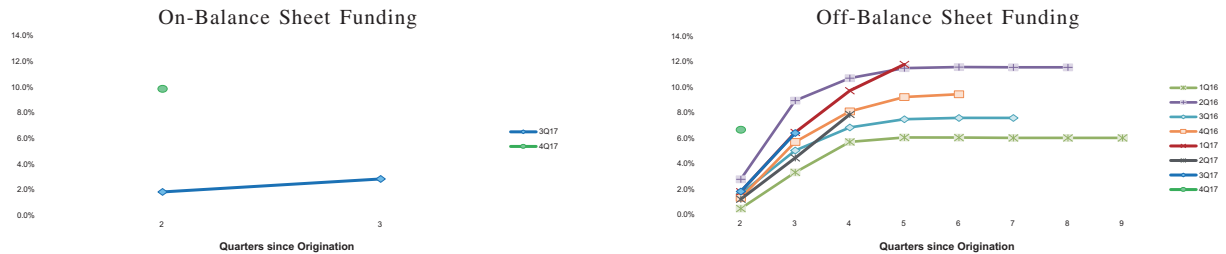


The following chart displays the historical cumulative 90-day plus past due delinquency rates by vintage for loan products serving non-credit-card holders up to March 31, 2018:



## RISK FACTORS

The following charts display the historical cumulative 90-day plus past due delinquency rates by vintage for loan products serving non-credit-card holders by different funding sources up to March 31, 2018:



We may not be able to maintain low delinquency rates for transactions facilitated by us. Such delinquency rates may be significantly affected by economic downturns or general economic conditions beyond our control and beyond the control of individual borrowers. In 2016, we expanded our borrower base from credit card holders to cover borrowers who are unserved by banks. As such, we may not be able to accurately assess the credit profiles of this group. Since December 2017, we saw an increase in delinquency rate due to a short-term volatility of borrower credit performance, we therefore adopted a more conservative credit assessment standard and limited the loan facilitation volume for our loan products serving non-credit card holders. We will continue to maintain a conservative credit assessment standard with respect to our loan products serving non-credit card holders, and although the absolute volume of our loan products serving non-credit card holders may continue to grow, we expect that they will represent a smaller percentage of our total loan facilitation volume in the future.

The below tables display the profiles of the borrowers attributable to the 90-days plus past due delinquent loans during the Track Record Period.

## RISK FACTORS

### Profiles of the borrowers attributable to the delinquent loans serving credit-card holders

|                                                                    | As of December 31,<br>2015 |             | As of December 31,<br>2016 |             | As of December 31,<br>2017 |             |
|--------------------------------------------------------------------|----------------------------|-------------|----------------------------|-------------|----------------------------|-------------|
|                                                                    | Number of<br>borrowers     | % of total  | Number of<br>borrowers     | % of total  | Number of<br>borrowers     | % of total  |
| <b>Age:</b>                                                        |                            |             |                            |             |                            |             |
| 18-24 . . . . .                                                    | 38                         | 20.9%       | 1,377                      | 10.9%       | 7,602                      | 9.0%        |
| 25-29 . . . . .                                                    | 77                         | 42.3%       | 4,835                      | 38.3%       | 29,547                     | 35.1%       |
| 30-39 . . . . .                                                    | 53                         | 29.1%       | 5,220                      | 41.3%       | 35,777                     | 42.5%       |
| 40-49 . . . . .                                                    | 14                         | 7.7%        | 1,118                      | 8.9%        | 10,342                     | 12.3%       |
| Over 50 . . . . .                                                  | 0                          | 0.0%        | 78                         | 0.6%        | 890                        | 1.1%        |
| <b>Education background:</b>                                       |                            |             |                            |             |                            |             |
| Master's degree or above . . . . .                                 | 0                          | 0.0%        | 295                        | 2.3%        | 763                        | 0.9%        |
| Bachelor's degree or junior college<br>diploma . . . . .           | 12                         | 6.6%        | 3,072                      | 24.3%       | 32,662                     | 38.8%       |
| High school or secondary vocational<br>school . . . . .            | 14                         | 7.7%        | 2,398                      | 19.0%       | 30,689                     | 36.5%       |
| Junior high school or below and<br>others <sup>(1)</sup> . . . . . | 156                        | 85.7%       | 6,863                      | 54.3%       | 20,044                     | 23.8%       |
| <b>Credit level<sup>(2)</sup>:</b>                                 |                            |             |                            |             |                            |             |
| AAA . . . . .                                                      | 27                         | 14.8%       | 3,380                      | 26.8%       | 16,798                     | 20.0%       |
| AA . . . . .                                                       | 18                         | 9.9%        | 2,174                      | 17.2%       | 17,572                     | 20.9%       |
| A . . . . .                                                        | 42                         | 23.1%       | 3,997                      | 31.7%       | 21,072                     | 25.0%       |
| B . . . . .                                                        | 94                         | 51.6%       | 2,997                      | 23.7%       | 17,693                     | 21.0%       |
| B- . . . . .                                                       | 1                          | 0.5%        | 80                         | 0.6%        | 11,023                     | 13.1%       |
| <b>Total . . . . .</b>                                             | <b>182</b>                 | <b>100%</b> | <b>12,628</b>              | <b>100%</b> | <b>84,158</b>              | <b>100%</b> |



## RISK FACTORS

### Profiles of the borrowers attributable to the delinquent loans serving non-credit-card holders

|                                                                 | As of December 31, 2016 |             | As of December 31, 2017 |             |
|-----------------------------------------------------------------|-------------------------|-------------|-------------------------|-------------|
|                                                                 | Number of<br>borrowers  | % of total  | Number of<br>borrowers  | % of total  |
| <b>Age:</b>                                                     |                         |             |                         |             |
| 18-24 . . . . .                                                 | 1,711                   | 46.2%       | 52,618                  | 32.6%       |
| 25-29 . . . . .                                                 | 988                     | 26.7%       | 62,578                  | 38.8%       |
| 30-39 . . . . .                                                 | 971                     | 26.2%       | 44,449                  | 27.5%       |
| 40-49 . . . . .                                                 | 33                      | 0.9%        | 1,671                   | 1.0%        |
| Over 50 . . . . .                                               | 1                       | 0.0%        | 43                      | 0.0%        |
| <b>Education background:</b>                                    |                         |             |                         |             |
| Master's degree or above . . . . .                              | 318                     | 8.6%        | 930                     | 0.6%        |
| Bachelor's degree or junior college<br>diploma . . . . .        | 858                     | 23.2%       | 52,121                  | 32.3%       |
| High school or secondary vocational<br>school . . . . .         | 1,319                   | 35.6%       | 99,396                  | 61.6%       |
| Junior high school or below and others <sup>(1)</sup> . . . . . | 1,209                   | 32.6%       | 8,912                   | 5.5%        |
| <b>Total . . . . .</b>                                          | <b>3,704</b>            | <b>100%</b> | <b>161,359</b>          | <b>100%</b> |

Notes:

(1) Others represent the borrowers who did not disclose their education background.

(2) For details regarding our credit score system, see "Business — Credit Scoring and Pricing System."

Although there is an investor protection mechanism to protect our investors, if widespread defaults were to occur, individual investors may still incur losses and lose confidence in our platform. As a result, our business and results of operations may be materially and adversely affected. In particular, for institutional funding partners, although certain credit facilitated by us were historically funded directly or indirectly by institutional funding partners, if borrowers default on their payment obligations, we were generally obligated to repay our institutional funding partners all or a percentage of loan principals and fees payable in respect of such loans subject to different terms and conditions. As such, if we were to experience a significant increase in delinquency rate, we may not have sufficient capital resources to make such repayments to our institutional funding partners, and if this were to occur, our reputation, results of operations, financial position and liquidity will be materially and adversely affected.

**The data that we collect for credit analysis may be inaccurate due to inadvertent error or fraud, which in turn could compromise the accuracy of our credit analysis.**

For the purpose of credit assessment and pricing, we obtain information from prospective borrowers as well as, with their authorization, from external parties and external credit assessment

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## RISK FACTORS

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systems, and assess applicants' creditworthiness based on such information. The information we obtain from them and external parties may be inaccurate and incomplete. External credit assessment systems may still be at a development stage and therefore have limitations in measuring borrowers' creditworthiness. As a result, we do not rely on inputs from one or only a few external parties and external credit assessment systems. Instead, we use inputs from many external parties and external credit assessment systems for our credit assessment model to enhance our risk management capabilities. As the credit assessment methodologies of external credit assessment systems are not disclosed to us, we may not have adequate knowledge of the assumptions behind their credit analysis, which could cause our model to produce inaccurate results. As a result, our assessment of a borrower's credit profile may not reflect that particular borrower's actual creditworthiness because assessment may be based on outdated, incomplete or inaccurate information.

The completeness and reliability of consumer credit history information in the PRC is relatively limited. The PBOC has adopted a national personal and corporate credit information database which remains relatively underdeveloped. The information available to us and external parties from whom we could obtain information for our credit assessment model is limited. We also currently do not have a comprehensive way to determine the outstanding balance of loans the prospective borrowers incurred through other consumer finance platforms, creating the risk whereby a borrower may utilize our loan products to pay off loans from other sources. There is also a risk that, following our obtaining 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.

We conduct data screening to detect inaccurate information and improve the quality of the data input for our credit analysis model. However, our data screening and anti-fraud systems may be insufficient to accurately detect inaccurate and fraudulent information. Such fraudulent information include, among other things, fake identification information, fraudulent credit card transaction records and statements and may come from fraudulent activities such as, organized fraud schemes and impostor borrowers fraudulently inducing individual investors to lend capital, etc. Such inaccurate or fraudulent information could compromise the accuracy of our credit analysis and adversely affect the effectiveness of our control over our delinquency rates. For example, in August 2017, we incurred financial losses by facilitating loans to users who applied for our loan products based on fraudulent credit card record. A significant increase in fraudulent activities of such sort could negatively impact our brand name and reputation, discourage investors from investing in loans on our platform, reduce the volume of loans facilitated to borrowers and make it necessary to take additional steps to reduce fraud risk and our results of operations may be adversely affected. High profile fraudulent activity could even lead to regulatory intervention, and may divert our management's attention and cause us to incur additional costs and liabilities.

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## RISK FACTORS

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**We had negative net operating cash flow for the years ended December 31, 2015, 2016 and 2017. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially adversely affected.**

For the years ended December 31, 2015, 2016 and 2017, we recorded negative net cash flow from operating activities of RMB138.5million, RMB34.4 million and RMB31.0 million, respectively, mainly due to our increase in volume of loans to our customers. For further information, please see “Financial Information — Liquidity and Capital Resources — Cash Flows — Net cash used in operating activities.” We cannot assure you that we will not experience negative net operating cash flow in the future. Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. We may not be able to obtain sufficient capital resources for our continued growth. If we are unable to do so, our business, financial condition and results of operations may be materially adversely affected.

**Our access to adequate funding on terms acceptable to us may subject to changes due to market conditions.**

Our business involves the matching of borrowers with funding sources. Our platform have diversified funding sources, including, individual investors, institutional funding partners and our micro loan company. The growth and success of our future operations depend on the availability of adequate lending capital to meet borrower demand for loans on our platform. To maintain the requisite level of funding to meet borrower demand, we need to keep expanding the investors base.

For the expansion of investors base, we will need to optimize the investor composition of our platform to include more investors generally. To the extent there is an insufficient number of investors willing to accept the credit risk posed by potential borrowers, our platform will be unable to fulfill all of the loan requests. Also, to the extent that investors’ risk appetite changes, investors may choose to not invest in loans facilitated on our platform. To the extent that it is necessary to obtain additional lending capital from investors, such lending capital may not be available to our platform on acceptable terms or at all.

We historically collaborated with institutional funding partners to fund certain loans we facilitate. Our institutional funding partners included banks, consumer finance companies, micro loan subsidiary, trust companies and other institutions. For loans funded by institutional funding partners, such loans were typically facilitated by either funds directly from institutional funding partners or funds indirectly from institutional funding partners through trusts we established in collaboration with trust companies. For the year ended December 31, 2017, our volume of loans we facilitated was RMB33,890.6 million, 20.3% of which was funded by our third party institutional funding partners and trust lending arrangement.

The availability of funding from institutional funding partners depends on many factors, some of which are out of our control. Our competitors in the consumer finance market may be able to offer better terms to attract institutional funding investors away from us and form exclusive partnership agreement. There are no assurance of long-term business relationship with institutional investors in this evolving market. Regardless of our risk management efforts, credit facilitated by us may nevertheless be considered riskier and may have a higher delinquency rate than loans made by

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borrowers with more established credit histories by traditional financial institutions. In addition, some of our institutional funding partners have limited operating history and experience which undermine our ability to rely on them. Moreover, our ability to cooperate with new and existing institutional funding partners may be subject to regulatory or other limitations. For instance, we entered into cooperative arrangements with institutional funding partners to fund the loans on our platform. When borrowers failed to repay, we were obligated to repay the relevant institutional funding partner the full overdue amount. In light of the recent issuance of the Circular 141 in December 2017, the foregoing practice might be regarded as credit enhancement services that are prohibited. In 2017, the volume of loan products with such arrangement amounted to RMB6,883.4 million, representing 20.3% of our total loan facilitation volume in 2017, and the corresponding revenue was RMB354.3 million, representing 15.6% of our total revenue in 2017, which consist of a credit facilitation and service fee revenue of RMB234.5 million and net interest income of RMB119.8 million. We are reviewing our cooperation with institutional funding partners to comply with regulatory requirements. We may resume the cooperation with institutional funding partners in the future. In the event there is a sudden or unexpected shortage of funds from our institutional funding partners or if our institutional funding partners have determined not to continue to collaborate with us, we may not be able to maintain necessary levels of funding without incurring higher costs of capital.

Although we had managed to diversify our funding sources in the past, we cannot assure you that our funding sources will remain or become increasingly diversified in the future. If we become dependent on a small number of institutional funding partners and any such institutional funding partner determines not to collaborate with us, or changes the commercial terms to the extent unacceptable to us, or limits the funding that is available, such constraints may limit our ability to facilitate 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.

**We have obligations to verify information relating to borrowers and detecting fraud. If we fail to perform such obligations to meet the requirements of relevant laws and regulations, we may be subject to liabilities.**

Our business of connecting investors and individual borrowers constitutes an intermediary service, and our contracts with investors and borrowers are intermediation contracts under the PRC Contract Law. Under the PRC Contract Law, an intermediary that intentionally conceals any material information or provides false information in connection with the conclusion of an intermediation contract, which results in harm to the client's interests may not claim for any service fee for its intermediary services, and is liable for any damage incurred by the client. As a result, if we fail to provide material information to investors and are found to have failed to exercise proper care, to conduct adequate information verification or supervision, we could be subject to liabilities as an intermediary under the PRC Contract Law. In addition, the Interim Measures have imposed on online lending information intermediaries, including us, additional obligations to verify the truthfulness of the information provided by or in relation to loan applicants and to actively detect fraud. We leverage a large database of past fraud accounts information and sophisticated rule-based detection technology in detecting fraudulent behaviors. Based on new data collected and fraudulent behaviors detected during our daily business operations, we update our database on a regular and as-needed basis. As the Interim Measures are relatively new, it is still unclear to what extent online lending information intermediaries should exercise care in detecting fraud. Although we believe that as an information

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intermediary, we should not bear the credit risk for investors as long as we take reasonable measures to detect fraudulent behaviors, we cannot assure you that we would not be subject to any liabilities under the Interim Measures 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.

**If the investor protection program is under- or over-funded, or if we fail to accurately forecast the expected the investor protection program payouts, our financial results and competitive position may be harmed.**

Our borrowers are required to contribute a certain percentage of cash to the investor protection program currently managed by an independent third party guarantee company. In the event that a loan defaults, a certain amount of fund will be withdrawn from the program to repay investors the principal and interest up to the depletion of the fund in the investor protection program.

Given these challenges, it is possible that we will under- or over-fund the amount contributed to the investor protection program. If the investor protection program is under-funded, and we do not or are unable to replenish the investor protection program with the amount collected from the borrowers to a sufficient level in time, investors may not be fully protected from loss. This may result in negative sentiment among investors, potentially hindering our ability to retain and attract investors. Investors may bring claims against us despite the fact that we do not provide guarantee to their investment. Regardless of the validity of the claim, the commencement of legal actions or threats of legal actions could lead to additional expenses and distract management's attention from our business operation. Conversely, if the investor protection program is over-funded by increasing the relevant fee rates charged to the borrowers, this will impact our ability to retain existing borrowers as well as to attract new borrowers and therefore cause us to lose business opportunities. Should any of the foregoing occur, our competitive position as well as our results of operations could be materially and adversely affected.

In addition, subject to the terms and limits in our agreements with investors, we currently allow investors to recover their outstanding principal and accrued interest from the investor protection program in the event of loan default within a limited range. As the industry continues to evolve and becomes more sophisticated, we may revisit our policy or the terms on which we offer the investor protection program service so that investors may recover less of the outstanding principal and accrued interest. However, if our estimate of the industry trend or market acceptance is not correct, any such reduction in investor protection program payout ratio may also cause negative sentiment among investors, potentially hindering our ability to retain existing investors as well as to attract new investors, and causing a material adverse impact on our competitive position and results of operations.

**We face competition in the online consumer finance industry and if we do not compete effectively, our results of operations could be harmed.**

The online consumer finance industry in China is highly competitive. We compete with a large number of consumer finance platforms and with financial products and companies that attract borrowers, institutional funding partners, individual investors or all the above parties. With respect to prime borrowers who are also credit card holders, we primarily compete with traditional financial

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institutions, such as consumer finance business units in commercial banks and credit card issuers. The interest rate we currently offer is still higher than those offered by commercial banks. With respect to borrowers who do not have access to credit card services by traditional financial institutions, our primary competitors are online consumer finance providers.

Our competitors operate with different business models, have different cost structures or participate selectively in different market segments. They may ultimately prove more successful or more adaptable to new regulatory, technological and other developments. Some of our current and potential competitors may have more financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sale and support of their platforms. Our competitors may also have longer operating histories, more extensive borrower or institutional funding partner or individual investor bases, greater brand recognition and brand loyalty and broader partner relationship than us. Additionally, a current or potential competitor may acquire our existing competitors or form a strategic alliance with them. Our competitors may be better at developing new products, offering more attractive investment returns, responding faster to new technologies. In response to competition and to maintain the market share, we may have to offer higher investment return to institutional funding partners and individual investors or charge lower transaction fees, which could materially and adversely affect our business and results of operations. Failure to compete effectively in our industry can lead to reduced revenues and market recognition.

**If the loan and investment products and services in our present portfolio and future pipeline are insufficiently attractive to our customers, become obsolete or fail to satisfy the demands of borrowers and investors, our business, financial condition and results of operations will be materially affected.**

We intend to expand our product offerings to borrowers to cater to their different financing needs. We also intend to expand our credit facilitation service and investor service offerings to meet the different needs of investors and offer different risk-based returns, such as loan facilitation products with different durations or different payment patterns. We also plan to enhance the capabilities of our online marketplace platform to incorporate new features and streamline the user experience.

Loan and investment products and services require significant expense and resources to develop, acquire, and market. They also may not receive sufficient 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 to align with and meet specific market demands or there may not be sufficient market demand for the loan products and services;
- changes on our platform, including the introduction of new platform services and mobile application functions, may not be favorably accepted by existing users;
- defects, errors or failures on our platform;
- any negative publicity or news about our loan or investment products on our platform;
- delays in launching the new loan or investment products or services; and

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- competing loan or investment products and services by our competitors.

If the products in our present portfolio and future pipeline do not attain sufficient market acceptance, become obsolete or otherwise fail to satisfy the demands of borrowers or investors, we may be unable to successfully compete in the intense consumer finance industry and our target market. Our market share may decline and negatively affect our business and results of operations.

**If we are unable to provide a superior user experience, our reputation and business may be materially and adversely affected.**

The success of our business largely depends on our ability to provide a superior user experience, which in turn depends on factors such as: (i) our ability to provide a reliable and user-friendly mobile App user interface for users and our ability to further improve and streamline our service process, (ii) our ability to continue to offer products and services at competitive service fee rates. If users are not satisfied with our level of service, or if our system is severely interrupted or otherwise fails to meet user requests, our reputation could be adversely affected and we could fail to maintain user loyalty.

Our ability to provide superior user experience also depends on the quality of the product and services provided by our business partners including custodian bank, external institutional funding partners, other online loan products providers, over which we have limited or no control. In the event that a customer is dissatisfied with the quality of the products and services provided by our business partners, we do not have any means to directly make improvements in response to customer complaints, and our business, reputation, financial performance and prospects could be materially and adversely affected.

In addition, we depend on our customer service hotline and Wechat online customer service center to provide certain services to our users. If our user service representatives fail to provide satisfactory service, 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 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 users or attract prospective users, which could have a material adverse effect on our business, financial condition and results of operations.

**Fluctuations in interest rates could negatively affect the volume of loans facilitated by us and cost of capital for funds provided to borrowers.**

All credit facilitated by us have certain financing service fees. If prevailing market interest rates rise whereas borrowers on our platform are unwilling to accept a corresponding increase in interest rates, investors may be deterred from funding our platform. If our borrowers decide not to utilize our loan products because of a corresponding increase in interest rates, our ability to retain existing borrowers, 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 risk at all times or pass on any increase in interest rate to our borrowers. If we are unable to effectively manage such an increase, our business, profitability, results of operations and financial condition



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could be materially and adversely affected. If prevailing market interest rates decrease and we fail to adjust the interest rates for borrowers on our platform, prospective borrowers may take advantage of the lower funding cost offered by other parties. As a result, any fluctuation in the interest rate environment may discourage borrowers from making loan applications from us, which may adversely affect our business.

**Our business and internal systems rely on highly technical software and processes. Undetected errors or significant disruption in our IT system, including events beyond our control, could prevent us from offering our products and services, thereby reducing the attractiveness of our products and services and resulting in a loss of borrowers or individual investors.**

Our business and internal systems rely on software and processes that are highly technical and complex. In addition, our business depends on the abilities of these software and processes to store, retrieve, process and manage large amounts of data. The software and processes on which we rely have contained, and may now or in the future contain, undetected errors or bugs. Some errors may only be discovered after the code has been released for external or internal use.

In addition, in the event of a system outage and physical data loss, our ability to provide products and services would be materially and adversely affected. The reliability, availability and satisfactory performance of our technology and our underlying network infrastructure are critical to our operations, customer service, reputation and our ability to attract new and retain existing borrowers and investors. We also use customized cloud computing services to prevent distributed-denial-of-service attack. Our operations depend on the service provider's ability to protect their and our systems in their facilities against damage or interruption from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or hackers' attempts to harm our systems, criminal acts and other similar events. Moreover, if our arrangement with these service provider are terminated or if there is a lapse of service or damage to their facilities, we could experience interruptions in our service as well as delays and additional expense in providing products and services to our borrowers and investors.

Any interruptions or delays in our service, whether as a result of third-party error, our error, natural disasters or security breaches, whether willful or not, could harm our reputation and our relationships with borrowers and individual investors and our reputation. Additionally, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. We also may not have sufficient capacity to recover all data and services in the event of an outage. These factors could prevent us from processing loan applications and other business operations, damage our brand name and reputation, divert our employees' attention, reduce our revenue, subject us to liability and discourage users from using our products and services, any of which could adversely affect our business, financial condition and results of operations.



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**If our security measures are breached, or if our platform is subject to attacks that result in unauthorized intrusion into our users' personal information, our services may be perceived as insecure and unreliable. As a result, our users may curtail or stop using our services and our business and operating results may be harmed.**

We have access to, store and process certain sensitive data from our users with their authorization, which makes us an attractive target and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. For example, some of our users authorize us to extract credit card bills from their email boxes, and we generally search for credit card bills by key words in the subjects of emails. While we have taken steps to protect confidential information that we have access to, our security measures could be compromised. Because 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 be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or willful security breaches or other unauthorized access to our system could cause confidential user information to be stolen and be used for criminal purposes.

We also face indirect technology, cybersecurity and operational risk relating to the third parties upon whom we rely to facilitate or enable our business activities, including custodian bank, external institutional funding partners, other online loan products providers, and third party service providers who help us in areas such as malicious attack prevention, and system security maintenance. Any cyber-attack, computer viruses, physical or electronic break-ins or similar disruptions of such service providers could, among other things, adversely affect our ability to serve our users, and could even result in misappropriation of funds of our investors, borrowers, institutional funding partners and credit card management users. If that were to occur, both we and our service providers could be held liable to investors, borrowers, institutional funding partners and credit card management users who suffer losses from the misappropriation.

Security breaches or unauthorized access to confidential information could expose us to liability related to the loss of information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our relationships with users could be severely damaged, we could incur significant liability and our business and operations could be adversely affected.

**The laws, regulations and their interpretation in regard of cybersecurity in China are being continuously updated. We may fail to fully comply with the newly established laws and regulations at all time, which may have an adverse effect on our reputation and lead to legal claims or regulatory fines or penalties.**

Due to the relatively brief history of the internet industry in China, the regulatory framework regarding cybersecurity has not developed comprehensively and is continuously evolving. PRC government authorities have enacted a series of laws and regulations in regard of the protection of personal information, under which internet service providers and other network operators are required to comply with the principles of legality, justification and necessity, to clearly indicate the purposes, methods and scope of any information collection and usage, and to obtain the consent of users, as well

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as to establish a user information protection system with appropriate remedial measures. Internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. We have obtained consent from our users to use their personal information within the scope of authorization and we have taken technical measures to ensure the security of such personal information and to prevent any loss or divergence of personal information. However, there is uncertainty as to the interpretation and application of such laws. If such laws or regulations are to be interpreted and applied in a manner inconsistent with our current policies and practices, changes to the features of our system may be required and additional costs incurred. We cannot assure you that our existing user information protection system and technical measures will be considered sufficient under applicable laws and regulations. If we are unable to address any information protection concerns, or to comply with the then applicable laws and regulations, we may incur significant costs and liability and our reputation, business and operations might be adversely affected. See “Regulatory Environment—Regulations Relating to Internet Companies—Regulations on Privacy Protection” for more details.

On June 1, 2017, the Chinese Cybersecurity Law became effective. The law requires network products and services providers such as our Company to, among other things, strictly preserve the secrecy of user information they collect and to store within mainland China data that is gathered or produced by such network products and services provider in the country. If we are deemed to have violated the law, potential penalties include, depending on the nature of violation, forced shut down of our websites, revocation of business licenses, freezing of assets, and fines imposed on the company ranging from approximately RMB10,000 to RMB1 million or management personnel ranging from approximately RMB5,000 to RMB1 million.

Due to the relatively new nature of the PRC Cybersecurity Law and the lack of clarification in the statutory law itself as to the circumstances and standard under which the law should apply and violations be found, there are significant uncertainties as to the interpretation and application of the law. The law’s vagueness in its own statutory language also indicates that the CAC, the designated government enforcement agency, will have broad latitude to direct how the law is interpreted and enforced, thus creating greater uncertainties with regard to the interpretation and application of the law since the government enforcement agency has yet to provide further guidance on the enforcement mechanism of the law. If we are found to have violated the PRC Cybersecurity Law in a government enforcement action, we may face severe penalties that may result in monetary losses, losses of access to assets or information essential for daily operation of our business or for the continuance of service provision, and temporary or extended disruption of our business. In addition, the finding of a violation of the PRC Cybersecurity Law, even if later repealed, may cause damages to our reputation and our brand name, causing users to lose confidence in our service and to refrain from choosing or continuing to use our products and services. All of these consequences may have a material adverse impact on our business, financial condition and results of operations.

Apart from the above-mentioned laws and regulations that already came into effect, we face potential additional compliance requirement. For example, according to Minors Internet Protection Regulations (Draft for Comments), online service providers who collect personal information from minors should alert, in a prominent place, the purposes, methods and scope of any information collection and usage, and to obtain the consent of minors or the guardians of the minors. This requirement may impose extra compliance cost on us.

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Furthermore, the stringent reporting obligation imposed by the PRC Cybersecurity Law itself, regardless of whether there has been a violation, may have a material adverse impact on our business and results of operations. As we are obligated by the law to inform our users of any security flaw or vulnerability as they are discovered, users may become wary of the existence or frequency of such reports and lose confidence in the security of our system, thus discouraged from choosing or continuing to use our products and services, even though the security flaws or vulnerabilities are readily fixed and overcome.

**Our third-party insurance arrangements may not be sufficient to cover the losses arising from personal information leakage.**

On September 27, 2016, we entered into an agreement with the People's Insurance Company (Group) of China Limited (PICC), a reputable third-party insurance provider, to provide insurance covering the risk of certain personal information leakage. However, the insurance arrangement may not be sufficient to cover the losses of affected registered users on our Apps. If the insurance provider decides any incident is not entitled to compensation, we may need to compensate the affected registered user for the loss with our own funds if we are found responsible.

We rely on PICC to provide insurance coverage to us over the personal information leakage. If PICC decides to terminate our insurance arrangements or decides not to renew such arrangements after the expiry of our agreement and we fail to contract with another insurance provider of similar coverage, our operations and reputation may be adversely affected.

**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 online acquisition of users, borrowers and individual investors. We intend to invest in marketing and brand promoting efforts, especially in connection with the growth of our multi-channel platform and introduction of new loan products and investment products. The success of our marketing efforts and user experience on our platform are integral to our ability to attract new and retain repeat. Our marketing channels include App stores, third-party applications, search engines as well as social media channels. 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 brand and reputation to maintain or grow the existing App user base.

Our efforts to build our brand have caused us to incur significant expenses, and it is likely that our future marketing efforts will require us to incur significant additional expenses. These efforts may not result in increased revenues in the immediate future or at all and, even if they do, any increases in revenues may not offset the expenses incurred. If we are unable to promote and maintain our brand 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.

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Furthermore, we have, from time to time, hired celebrities to help promote our business and increase our brand recognition. Any negative media publicity concerning the celebrities we have partnered with may adversely impact on our brand's reputation.

**We continuously evaluate and consummate strategic investments or acquisitions, which could require significant management attention, disrupt our business and adversely affect our financial results if such investment fails to meet our expectations.**

We have and will continue to evaluate and consider strategic investments, combinations, acquisitions or alliances to further increase the value of our platform and better serve users. From time to time, we also seek to make investments in or acquisitions of companies that may fit in our ecosystem. However, even if we are able to identify an attractive business opportunity, we may not be able to successfully consummate the transaction due to various reasons, including regulatory approvals, or may need to compete with other participants. Even if we do consummate such a transaction, we cannot assure that the investments are successful. They may not benefit our business strategy or generate sufficient revenues to offset the associated acquisition costs.

Besides, strategic investments or acquisition will involve risks commonly encountered in business relationship, including:

- difficulties in assimilating and integrating the operation, personnel, systems, data, technologies, products and services of the acquired business;
- inability of the acquired technologies, products or businesses to achieve expected levels of revenue, 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;
- difficulties in successfully incorporating licensed or acquired technology and rights into our platform and products;
- difficulties in maintaining uniform standards, controls, procedures and policies within the combined organization;
- difficulties in retaining relationships with customer, 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;

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- failure to successfully further develop the acquired technology;
- liability for activities of the acquired business before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- potential disruptions to our ongoing business; and
- unexpected costs and unknown risks and liabilities associated with strategic investments or acquisitions.

**Businesses we acquire may not be integrated successfully or managed effectively and may present unforeseen costs and challenges to us.**

During the Track Record Period, we acquired a number of companies, including Shouhui Kaizhuo. As a result, we recorded a significant amount of intangible assets due to the increase in the license and the goodwill in relation to our acquisition activities, particularly we recorded a goodwill of RMB307.2 million and a license of RMB499.0 million in 2017 in connection with our acquisition of Shouhui Kaizhuo. We may fail to effectively integrate or manage acquired companies due to various factors, including differences in corporate cultures, complexity and size of the acquired companies, our inability to retain and assimilate personnel of the acquired companies, or our lack of knowledge and experience in new industries or markets. We may also face unexpected delays or difficulties that require us to devote additional resources to integrate or manage the acquired companies. Therefore, we cannot provide assurance that any acquisitions we undertake will achieve our desired strategic objectives, business integration plan or expected return on investment. If the acquired companies' results of operations do not meet our expectations, we may be required to recognize an operating loss in our consolidated financial statements and may need to record impairment losses on our intangible assets, including licenses. In addition, our pursuit of acquisitions may disrupt our ongoing businesses and divert our management's time and attention from our existing operations. Any of these factors may have an adverse effect on our results of operations and financial condition.

**We are subject to risks associated with other parties with which we collaborate. If such other parties fail to perform or provide reliable or satisfactory services or increase their fees significantly, our business, financial condition and results of operations may be materially and adversely affected.**

We rely on third-party service providers to operate various aspects of our business and platform. Third-parties supply us with external data including supplementary credit data, social media data and blacklists. Furthermore, third-party service providers help us maintain our security systems, ensure confidentiality of data and prevent malicious attacks. In addition, we rely on third parties for secure fund management and online payment and settlement. For instance, we rely on our custodian bank, Bank of Beijing, to provide fund depository services and third-party payment companies to serve as payment channels to ensure compliance with various laws and regulations.

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Our relationships with various third-parties are integral to the smooth operation of our business and platform. 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 reason, such as to work with our competitors on more exclusive or more favorable terms or if they themselves become our competitors, our operations may be disrupted. In addition, our third-party service providers may not uphold the standard we expected under our agreements, or disagreements or disputes may arise between us and the third-party service providers. Furthermore, if our third-party service providers significantly increase their fees, we may not be able to pass such increase to our customers, and our results of operation may be adversely affected.

We rely on third-party payment platforms, such as Sina Pay, UMPay, JDPay, in handling funds transfer and settlement. Third-party payment agents in China, are subject to oversight by the PBOC and must comply with complex rules and regulations, licensing and examination requirements, including, but not limited to, minimum registered capital, maintenance of payment business licenses, anti-money laundering regulations and management personnel requirements. In the past, some third-party payment agents have been required by the PBOC to suspend their services in certain areas of China. If our third-party payment agents were to suspend, limit or cease their operations, or if our relationships with our third-party payment agents deteriorates or they were to otherwise terminate, we would need to arrange substantially similar arrangements with other third-party payment agents. Negative publicity about our or other third-party payment agents or the industry in general may also adversely affect institutional funding partners', individual investors' or borrowers' confidence and trust in the use of third-party payment agents to carry out the payment and custodian functions in connection with the facilitation of loans on our platform. If any of these were to happen, the operation of our platform could be materially impaired and our results of operations would suffer.

We also collaborate with other online lending platforms to fulfill diversified borrowing needs of our users. We refer borrowers to our partners, who will carry out the risk management process and decide whether to extend the loan product. We collect an agreed-on referral fee from our partners. However, these parties may not be able to provide satisfactory services to us and/or borrowers on commercially acceptable terms or at all. Any failure by these parties to continue with good business operations, comply with applicable laws and regulations or any negative publicity on these parties could damage our reputation, expose us to significant penalties and decrease our total revenues and profitability. Also, if we fail to retain existing or attract new quality parties to collaborate with, our ability to retain existing borrowers, engage prospective borrowers may be severely limited, which may have a material and adverse effect on our business, financial condition and results of operations. In addition, certain of these other parties that we collaborate with have access to our user data with our user's authorisation to a limited extent in order to provide their services. If these other parties engage in activities that are negligent, illegal or otherwise harmful to the trustworthiness and security of our products or system, including the leak or negligent use of data, or users are otherwise dissatisfied with their service quality, we could suffer reputational harm, even if these activities are not related to, attributable to or caused by us.

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**Our plans for user acquisition and technology capabilities enhancement will lead to increasing sales and marketing expenses and employee benefits expenses, which may adversely affect our financial performance if we fail to achieve the expected growth at the same time.**

We intend to invest the net proceeds from the Global Offering for, among others, the following purposes: (1) user acquisition through various channels and general branding activities; and (2) further enhance our technology capabilities including the recruitment of technology specialists and investment in our technology infrastructure. See “Future Plans and Use of Proceeds” for more details. Our user acquisition efforts requires our investments in various marketing channels exploration and general branding activities, which will drive our sales and marketing expenses. In addition, we plan to further enhance our technology capabilities by, among others, attracting and retaining technology specialists. As the competition for available talents in the market is intense, we will have to offer competitive compensation and benefits packages to recruit such talents. The resulted increases in sales and marketing expenses and employee related expenses might adversely affect our financial performance if we fail to achieve the expected growth of business at the same time.

**If our ability to collect delinquent loans is impaired, our business, financial condition and results of operation might be materially and adversely affected.**

We have implemented payment and collection policies and practices designed to optimize the repayment process, while also providing superior borrower experience. Our collection process is divided into distinct stages based on the severity of delinquency, which dictates the level of collection steps taken. For example, automatic reminders through text, voice and instant messages are sent to a delinquent borrower as soon as the collections process commences. We employ both in-house team and third parties to assist us on collection of delinquent loans. Despite our servicing and collection efforts, we cannot assure you that we will be able to collect payments on the transactions we facilitate 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 performances. As such, our collection team may not possess adequate resource and manpower to collect payment on and service the transactions we facilitated. If we fail to adequately collect amounts owed, then payments of principals and financing service fees to us may be delayed or reduced and our results of operations will be adversely affected. In addition, for the protection of our investors, our borrowers are required to contribute a certain percentage of the original principal amount of the loan to our investor protection mechanism. When a borrower defaults, the balance of the quality assurance fund receivable related to this loan is deemed not recoverable, and accordingly, we will record an impairment loss on quality assurance receivable in quality assurance fund loss on the consolidated income statement. Because we bear the credit risk for loans funded by our On-Balance Sheet Funding, we also recognize impairment losses for default loans in these arrangement. During the Track Record Period, we incurred impairment loss of nil, RMB6.2 million and RMB95.6 million with respect to our On-Balance Sheet Funding. Further information on the impairment loss recognized on loans to customers is set out in the Accountant’s Report in “Appendix I—Accountant’s Report—Other gains/(losses), net” to this prospectus. As a result, our financial conditions will be adversely affected if the delinquency rate of our loans rises. As the amount of transactions facilitated by us increases 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.



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Moreover, the current regulatory regime for debt collection in the PRC remains unclear. Although we have established strict policies that the third-party collection personnel do not engage in aggressive or illegal practices, we cannot assure you that the third-party collection personnel will not engage in any misconduct as part of their collection efforts. Any such misconduct by our collection personnel or the perception that our collection practices are considered to be aggressive and not compliant with the relevant laws and regulations in the PRC 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 or fines and penalties imposed by the relevant regulatory authorities, any of which may have a material adverse effect on our results of operations.

**Any failure by us, institutional funding partners or payment agents to comply with applicable anti-money laundering and anti-terrorist financing laws and regulations could damage our reputation, expose us to significant penalties, and decrease our revenues and profitability.**

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 “know-your-customer” procedures, for preventing money laundering and terrorist financing. In addition, we rely on payment agents, in particular banks and online payment companies that handle the transfer of funds from investors to borrowers, and our institutional funding partners to have their own appropriate anti-money laundering policies and procedures. Certain of our institutional funding partners and banks and online payment companies are subject to anti-money laundering obligations under applicable anti-money laundering laws and regulations and are regulated in that respect by the PBOC.

We have not been subject to fines or other penalties, or suffered business or other reputational harm, as a result of actual or alleged money laundering or terrorist financing activities in the past. However, our policies and procedures may not be completely effective in preventing other parties from using us, any of payment processors or our institutional funding 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. Even if we, our institutional funding partners and payment processors comply with the applicable anti-money laundering laws and regulations, we, institutional funding partners and payment processors 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 online consumer finance service providers 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 operation.

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The Guidelines purport, among other things, to require internet finance service providers to comply with certain anti-money laundering requirements, including the establishment of a customer identification program, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to the public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters. The PBOC may formulate implementing rules to further specify the anti-money laundering obligations of Internet finance service providers. We cannot assure you that the anti-money laundering policies and procedures we have adopted will be deemed to be in compliance with applicable anti-money laundering implementing rules.

**Misconduct and errors by our employees and our third-party service providers could cause a material adverse effect on our business and reputation.**

Our employees and third-party service providers are integral to our business operations, as they handle and process a large number of increasingly complex and differentiated loan transactions which include confidential information. If any such information were leaked to unintended recipients due to human error, theft, malicious sabotage or fraudulent manipulation, we may be subject to liability for loss of such information. Further, if any of our employees or third-party service providers absconded with our proprietary data or know-how in order to compete with us, our competitive position may be materially and adversely affected.

Any misappropriation fraudulent misuse of funds by any of our employees or third-party service providers in contravention of our protocols and policies may lead to regulatory and disciplinary proceedings involving us. We may be perceived to have facilitated or participated in the misappropriation or fraudulent misuse of funds and we could be subject to liability, damages, penalties and suffer reputational damage. It is impossible to completely identify and eradicate all risks of misconduct or human errors, and our precautionary measures may not be able to effectively detect and prevent such risks from happening.

Occurrence of any of the above risks could result in a material adverse effect on our business and results of operations, as we are exposed to potential liability to borrowers and investors, reputational damage, regulatory intervention, financial harm. Our ability to attract new and retain existing App users, borrowers, intuitional funding partners and investors and operate our online platform as an ongoing concern may be impaired.

**If our brand reputation is harmed in any way, including any negative publicity about us, our cooperation partners, third-party providers and the overall industry, our business and operating results may be materially and adversely affected.**

Reputation of our brand is critical to our business and competitiveness. Factors that are vital to our reputation include but are not limited to our ability to:

- maintain the quality and reliability of our platform;
- provide users with a superior experience in using our Apps, transacting with us or on our platform;

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- engage a large number of quality borrowers with low delinquency rate;
- enhance and improve our credit assessment and risk-pricing models;
- effectively manage and resolve borrower and investor complaints; and
- effectively protect personal information and privacy of borrowers and investors.

Any malicious or negative allegation made by the media or other parties about the foregoing or other aspects of our company, including but not limited to our management, business, compliance with law, financial condition or prospects, whether with merit or not, could severely compromise our reputation and harm our business and operating results.

As the China online consumer finance industry is new and the regulatory framework for this industry is also evolving, negative publicity about this industry may arise from time to time. Negative publicity about China's online consumer finance industry in general may also have a negative impact on our reputation, regardless of whether we have engaged in any inappropriate activities. The PRC government has recently instituted specific rules, including the Guidelines and Interim Measures, to develop a more transparent regulatory environment for the online consumer finance industry. See "Regulatory Environment—Regulations Relating to Online Consumer Finance Services." Any players in China's online consumer finance industry who are not in compliance with these regulations may adversely impact the reputation of the industry as a whole. Furthermore, any negative development in, or negative perception of, the online consumer finance industry as a whole, even if factually incorrect or based on isolated incidents, could compromise our image, undermine the trust and credibility we have established and impose a negative impact on our ability to attract new borrowers and investors. Negative developments in the online consumer finance industry, such as wide spread borrower defaults, fraudulent behavior and/or the closure of other online consumer finance marketplaces, may also lead to tightened regulatory scrutiny of the sector and limit the scope of permissible business activities that may be conducted by online consumer finance platforms like us.

In addition, negative publicity about our partners, third-party service providers or other counterparties, such as negative publicity about their loan collection practices and any failure by them to adequately protect the information of our borrowers, institutional funding partners and investors, to comply with applicable laws and regulations or to otherwise meet required quality and service standards could harm our reputation. If any of the foregoing takes place, our business and results of operations could be materially and adversely affected.

**We may need additional capital to accomplish our business objectives, pursue business opportunities, and respond to challenges or unforeseen circumstances, and financing may not be available on terms acceptable to us, or at all.**

Historically, we have issued equity 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 respond to challenges or unforeseen circumstances, including attracting new users, developing and improving our mobile applications, offering new products and services, increasing the volume of loans we facilitate,

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further enhancing our risk management capabilities, stabilizing and enlarging funding sources of our loan products, expanding and deepening cooperation with business partners. Accordingly, we may need to engage in equity or debt financings to secure additional funds. However, additional funds may not be available when we need them, on terms acceptable to us, or at all. In the event that we obtain debt financing, repayment of debt may divert a substantial portion of cash flow, which would reduce funds available for expenses, capital expenditures and payment pursuant to other general corporate purposes.

Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our ordinary shares. If we are unable to obtain adequate financing or financing on terms satisfactory to us when it is needed, our ability to continue to accomplish our business objectives and pursue business opportunities, and respond to challenges or unforeseen circumstances could be significantly limited, and our business, operating results, financial condition and prospects could be adversely affected.

**Valuation methodologies for certain of our financial assets are subject to significant and subjective assumptions and estimates and the fair value of these assets established pursuant to such methodologies may never be realized.**

There are no readily ascertainable market prices for some of our illiquid financial investments. When market for a financial instrument is not active, we determine the fair values of investments by using a valuation technique that include (i) using recent prices in arm's length market transactions between knowledgeable and willing parties, if available; (ii) reference to the current fair value of another instrument that is substantially the same; and (iii) discounted cash flow analyses and option pricing models.

Although we estimate the fair value of financial instrument in good faith, the valuations of investments for which market quotations are not readily available are inherently uncertain and may fluctuate over short periods of time. As a result, the determinations of fair value we make may differ materially from the values that would have resulted if a ready market had existed. During the Track Record Period, we recorded fair value gain on financial assets designated at fair value through profit or loss of RMB0.06 million, RMB5.3 million and RMB191.7 million, as a result, changes in fair value of financial assets designated at fair value through profit or loss could affect our results of operations.

Even if market quotations are available for our investments, these quotations may be different from the value that could actually be realized. Therefore, there can be no assurance that the fair value movements that we record from time to time will ultimately be realized.

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**Our recognition of deferred income tax asset is subject to significant management judgment and we cannot guarantee we will generate sufficient taxable profits in the future to fully utilize the deferred income tax assets.**

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and the level of future taxable profits of the individual entities together with tax planning strategies. Although we estimate and recognize the deferred income tax asset in good faith, we cannot assure you that we will generate sufficient taxable profits in the future to fully utilize the deferred income tax assets. If we cannot utilize the deferred income tax assets, our financial conditions will be adversely affected.

**We had a total deficit position during the Track Record Period, which may adversely affect our ability to declare and pay dividends.**

As of December 31, 2015, 2016 and 2017, we had total deficit of RMB832.3 million, RMB3,093.7 million and RMB4,581.6 million, mainly because we incurred fair value loss of preferred shares of RMB575.4 million, RMB744.0 million and RMB2,260.9 million for 2015, 2016 and 2017, respectively, and extinguishment loss of preferred shares of RMB1,442.9 million for 2016. Our convertible redeemable preferred shares are designated as liabilities on the consolidated balance sheets; and the increases in fair value are recognized as fair value loss on the consolidated income statement. A substantial modification of the terms of a class of preferred shares or a part of it shall be accounted for as an extinguishment of the original class of preferred shares and the recognition of a new class of preferred shares. Any loss on extinguishment is recognised as extinguishment loss of preferred shares on the consolidated income statement except to the extent that it arises as a result of transactions with shareholders acting in their capacity as shareholders when it is recognised directly in equity. We will not incur any fair value loss or extinguishment loss with respect to our preferred shares following the Listing as all our convertible redeemable preferred shares will be converted into our ordinary shares upon the Listing, but we may still retain accumulated losses due to the fair value loss and extinguishment loss of our preferred shares prior to the Listing. If the market for a financial instrument is not active, there are intrinsic uncertainties underlying our estimation of fair value of preferred shares, as such accounting estimation is built upon unobservable market inputs. See “Financial Information—Critical Accounting Judgements and Estimates.” In addition, under the Cayman Companies Law, we may only declare dividends out of accumulated profits or our share premium account. Therefore, such accumulated losses may adversely affect our overall ability to declare and pay dividend after the Listing by reducing our sources for potential dividend declaration and payment.

**Our business depends on the continued efforts of our senior management and key research and development personnel. If one or more of our key executives or key research and development personnel 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 and key research and development personnel, particularly the officers named in this prospectus. In particular,

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Mr. Sun Haitao, our founder, chairman and chief executive officer, is critical to the management of our business and operations and the development of our strategic direction. While we have provided different incentives to our management and key research and development personnel, we cannot assure you that we can continue to retain their services. If one or more of our key executives or key research and development personnel were unable or unwilling to continue in their present positions, we may 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, and we may incur additional expenses to recruit, train and retain qualified personnel. In addition, although we have entered into confidentiality and non-competition agreements with our management and key research and development personnel, 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 or key research and development personnel and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce them at all.

**We may be unable to protect our proprietary intellectual property rights from unauthorized use, such that our brand, reputation and business may be negatively impacted.**

We regard our trademarks, domain names, copyrights, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on trademark and trade secret law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. See “Business—Intellectual Property” and “Regulatory Environment—Regulations Relating to Foreign Exchange—Regulation on Intellectual Property Rights.” However, we cannot assure you that any of our intellectual property rights would not be challenged, invalidated or circumvented, or such intellectual property will be sufficient to provide us with competitive advantages. In addition, other parties may misappropriate our intellectual property rights, which would cause us to suffer economic or reputational damages. Because of the rapid pace of technological change, nor can we assure you that all of our proprietary technologies and similar intellectual property will be patented in a timely or cost-effective manner, or at all.

It is sometimes difficult to register, maintain and enforce intellectual property rights in China. Although we have made our commercially reasonable efforts to register the trademarks that are used in our products, we have not complete the registration of such trademarks. Any failure in completing such registration could have a material adverse effect on our business and results of operations. 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, invention assignment 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

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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.

**Third parties may engage us in lengthy and expensive litigation over alleged infringement of their intellectual property rights, which may disrupt and affect our business.**

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties. In our intensely competitive industry, we may be challenged by third parties, including competitors as well as other entities or individuals, for ownership of our intellectual property rights or infringement of their intellectual property rights. We may not be fully aware of other parties' intellectual property rights involved in our systems, applications and technology and there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our products, services or other aspects of our business without our awareness. We may have to incur significant time and costs in dealing with any claims or litigation, and if they are successful, we may be subject to substantial damages, royalty payments, restrictions from conducting our business and other stringent requirements unfavorable to our business and operations. We may also be required to indemnify other parties or pay settlement costs, and to obtain licenses, modify applications or refund fees, each of which may be expensive and time-consuming. Such processes may create a distraction for our management which could affect our business operations.

Additionally, the interpretation and application of China's intellectual property right laws and the procedures and standards for granting trademarks, copyrights, knowhow, proprietary technologies or other intellectual property rights in China are uncertain and still evolving, 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 for our infringement 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.

**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 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. Competition for highly skilled 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.



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In addition, we invest 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 users and investors could diminish, resulting in a material adverse effect to our business.

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

In recent years, the Chinese economy has experienced inflationary and labor costs increases. Average wages are projected to continue to increase. Further, under PRC law we are required to pay various statutory employee benefits, including pension, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. The relevant government agencies may examine whether an employer has made adequate payments to the statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to control our labor costs or pass on these increased labor costs, our financial condition and results of operations may be adversely affected.

**Failure to make contributions to various employee benefit plans on our own as required by PRC regulations 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. In addition, pursuant to the relevant rules in the Social Insurance Law of the PRC and Regulations on the Administration of Housing Provident Fund and other applicable laws and regulations, the employer should contribute to the social security plans and housing provident fund for their employees on its own. Our PRC Legal Advisor has advised us that, pursuant to the Social Insurance Law of the PRC, if we fail to make the full contribution of social insurance premiums as required, the local social insurance agencies may require us to pay the overdue amount within a certain stipulated period and may impose a fine equivalent to 0.05% of the overdue payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of the overdue payment. Our PRC Legal Advisor has further advised us that, pursuant to the Regulations on Management of Housing Provident Fund, if we do not pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the payment outstanding within a stipulated period; if the payment is not made within the stipulated period, an application may be made to the Chinese courts for compulsory enforcement. We had engaged certain third-party personnel agencies to contribute to the social security premiums and housing provident fund for some of employees in the name of the third-party personnel agencies. Although we have obtained confirmation letters from relevant local competent

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authorities, which confirm that they did not impose any administrative penalties against us, we cannot assure you that we will not be subject to any administrative penalties in the future. If we are subject to any material administrative penalties, our financial condition and results of operations may be adversely affected.

**We do not have any business insurance coverage.**

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies in more developed economies. Currently, we do not have any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our results of operations and financial condition.

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

Any prolonged slowdown in the Chinese or global economy may have a negative impact on our business, results of operations and financial condition. In particular, general economic factors and conditions in China or worldwide, including the general interest rate environment and unemployment rates, may affect consumers' willingness to seek credit and our partners' ability and desire to invest in loans. Economic conditions in China are sensitive to global economic conditions. The global financial markets have experienced significant disruptions since 2008 as the United States, Europe and other economies have experienced periods of recession. The recovery from the lows of 2008 and 2009 has been uneven and there are new challenges, including the escalation of the European sovereign debt crisis from 2011 and the slowdown of China's economic growth since 2012. It is unclear whether the Chinese economy will resume its high growth rate. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have also been concerns over unrest in the Middle East and Africa, which have resulted in volatility in financial and other markets. Significant uncertainty exists regarding the timing of UK's anticipated withdrawal from the EU and the effects such withdrawal may have on world economy, as well as uncertainty regarding the likelihood and timing of policy changes by the Trump Administration in the U.S. and the subsequent impact on world economy. There have also been concerns about the economic effect of the tensions in the relationship between China and surrounding Asian countries. If present Chinese and global economic uncertainties persist, we may have difficulty in obtaining funding from investors to fund the loan utilized by borrowers. Adverse economic conditions could also reduce the number of quality consumers' seeking credit from us, as well as their ability to make payments. Should any of these situations occur, the volume of loans facilitated to customers and, therefore, our revenue will decline, and our business and financial condition will be negatively impacted. Additionally, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

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**The offering of our products and services depends on the effective use of mobile operating systems and the efficient distribution through mobile App stores, which we do not control.**

Our loan products are offered through mobile Apps. It is difficult to predict the problems we may encounter in developing applications for newly released devices and platforms, and we may need to devote significant resources to the development, support and maintenance of such applications. We are dependent on the interoperability of providing our products and 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 products and services or give preferential treatment to competing products and services could adversely affect the usability of our products and services on mobile devices. In addition, we rely upon third-party mobile App stores for users to download our mobile Apps. As such, 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 we experience difficulties in the future in offering our products and services through our Apps in mobile devices or if problems arise with our relationships with providers of mobile operating systems or mobile App stores, or if we face increased costs to distribute or to have users access our Apps on mobile devices. In the event that it is more difficult for our users to access and utilize our products and services on their mobile devices, or if our users choose not to access or use our products and services on their mobile devices or to use mobile operating systems that do not offer access to our products and services, our user growth could be harmed and our business and financial condition and operating results may be adversely affected.

**Our operations depend on the performance of the Internet infrastructure and fixed telecommunications networks in China.**

We heavily rely on the Internet infrastructure and telecommunications network in China for our operations and the smooth running of our online platform. 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. Our systems infrastructure is currently deployed and our data is currently maintained on servers owned or leased by us. We and the server leasing service provider may rely on a limited number of telecommunication service providers to provide it with data communications capacity through local telecommunications lines and Internet data centers to host the servers. We and the server leasing service provider may 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 increasing traffic. We cannot assure you that we, the server leasing service provider and the underlying Internet infrastructure and the fixed telecommunications networks in China will be able to support the demand 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 which in turn, may affect our costs of using customized cloud computing services. If the prices we pay for server leasing services rise significantly, our results of operations 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.

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**We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.**

We are vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events may give rise to severe interruptions, breakdowns, system failures or Internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide our products and services. Our business could also be adversely affected by the effects of Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Our business operations could be disrupted if any of our employees is suspected of having Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, SARS or other epidemic, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that any of these epidemics harms the Chinese economy in general. Our business operations could also be severely disrupted if our users, suppliers or business partners were affected by health epidemics or other natural disasters.

### **RISKS RELATING TO OUR CORPORATE STRUCTURE**

If the PRC government deems that the contractual arrangements in relation to our consolidated VIEs 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 in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

The PRC government regulates telecommunications-related businesses through strict business licensing requirements and other government regulations. These laws and regulations also include limitations on foreign ownership of PRC companies that engage in telecommunications-related businesses. Specifically, foreign investors are not allowed to own more than a 50% equity interest in any PRC company engaging in value-added telecommunications businesses, with certain exceptions relating to online retail and mobile commerce which does not apply to us. The primary foreign investor must also have experience and a good track record in providing value-added telecommunications services, or VATS, overseas.

Because we are an exempted company incorporated in the Cayman Islands, we are classified as a foreign enterprise under PRC laws and regulations, and our wholly-owned PRC subsidiary, Hangzhou Zhenniu is a foreign-invested enterprise, or an FIE. To comply with PRC laws and regulations, we conduct our business in China through our consolidated VIEs and their affiliates. Hangzhou Zhenniu has entered into a series of contractual arrangements with Hangzhou Enniu and their shareholders. For a description of these contractual arrangements, see “Contractual Arrangements.”

We believe that our corporate structure and contractual arrangements comply with the current applicable PRC laws and regulations. Our PRC legal counsel, based on its understanding of the relevant laws and regulations, is of the opinion that each of the contracts among our wholly-owned PRC subsidiary, our consolidated VIEs and their shareholders is valid, binding and enforceable in accordance with its terms. However, as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including the Regulations on Mergers and Acquisitions

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of Domestic Enterprises by Foreign Investors, or the M&A Rules and the Telecommunications Regulations and the relevant regulatory measures concerning the telecommunications industry, there can be no assurance that the PRC government authorities, such as the Ministry of Commerce, or the MOFCOM, or the MIIT, or other authorities that regulate online consumer finance platforms and other participants in the telecommunications industry, would agree that our corporate structure or any of the above 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. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

If our corporate structure and contractual arrangements are deemed by the MIIT or the MOFCOM or other regulators having competent authority to be illegal, either in whole or in part, we may lose control of our consolidated VIEs and have to modify such structure to comply with regulatory requirements. However, there can be no assurance that we can achieve this without material disruption to our business. Further, if our corporate structure and contractual arrangements are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking our business and operating licenses;
- levying fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- shutting down our services;
- discontinuing or restricting our operations in China;
- imposing conditions or requirements with which we may not be able to comply;
- requiring us to change our corporate structure and contractual arrangements;
- restricting or prohibiting our use of the proceeds from overseas offering to finance our PRC consolidated VIEs' business and operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and contractual arrangements. See “—Risks Relating to Our Corporate Structure—Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law, and its enactment may materially and adversely affect our business and financial condition.” Occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations. In addition, if the imposition of any of these penalties or requirement to restructure our corporate structure causes us to lose the rights to direct the activities of our

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consolidated VIEs or our right to receive their economic benefits, we would no longer be able to consolidate the financial results of such VIEs in our consolidated financial statements. However, we do not believe that such actions would result in the liquidation or dissolution of our company, our wholly-owned subsidiaries in China or our consolidated VIEs or their subsidiaries.

**Our contractual arrangements with our consolidated VIEs may result in adverse tax consequences to us.**

We could face material and adverse tax consequences if the PRC tax authorities determine that our contractual arrangements with our consolidated VIEs were not made on an arm's length basis and adjust our income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. For the years ended December 31, 2015 and 2016, our preferential income tax expenses applicable to subsidiaries amounted to approximately RMB0.3 million and RMB4.5 million respectively and for the year ended December 31, 2017, our preferential income tax credit applicable to subsidiaries amounted to approximately RMB187.6 million. See "Appendix I—Accountant's Report—15 Income tax expense/(credit)". A transfer pricing adjustment could adversely affect us by (i) increasing the tax liabilities of our consolidated VIEs without reducing the tax liability of our subsidiaries, which could further result in late payment fees and other penalties to our consolidated VIEs for underpaid taxes; or (ii) limiting the ability of our consolidated VIEs to obtain or maintain preferential tax treatments and other financial incentives.

**We rely on contractual arrangements with our consolidated VIEs and their shareholders to operate our business, which may not be as effective as direct ownership in providing operational control and otherwise have a material adverse effect as to our business.**

We rely on contractual arrangements with our consolidated VIEs and their shareholders to operate our business. For a description of these contractual arrangements, see "Contractual Arrangements." All of our revenue are attributed to our consolidated VIEs. These contractual arrangements may not be as effective as direct ownership in providing us with control over our consolidated VIEs. If our consolidated VIEs or their shareholders fail to perform their respective obligations under these contractual arrangements, our recourse to the assets held by our consolidated VIEs is indirect and we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies under PRC law. These remedies may not always be effective, particularly in light of uncertainties in the PRC legal system. Furthermore, in connection with litigation, arbitration or other judicial or dispute resolution proceedings, assets under the name of any of record holder of equity interest in our consolidated VIEs, including such equity interest, may be put under court custody. As a consequence, we cannot be certain that the equity interest will be disposed pursuant to the contractual arrangement or ownership by the record holder of the equity interest.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions, such as Hong Kong and the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event that we are unable to enforce these



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contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing these contractual arrangements, it would be very difficult to exert effective control over our consolidated VIEs, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected. See “—Risks Relating to Doing Business in China—There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.”

**The shareholders of our consolidated VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.**

In connection with our operations in China, we rely on the shareholders of our consolidated VIEs to abide by the obligations under such contractual arrangements. The interests of these shareholders in their individual capacities as the shareholders of our consolidated VIEs may differ from the interests of our company as a whole, as what is in the best interests of our consolidated VIEs, including matters such as whether to distribute dividends or to make other distributions to fund our offshore requirement, may not be in the best interests of our company. There can be no assurance that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our company or those conflicts of interest will be resolved in our favor. In addition, these shareholders may breach or cause our consolidated VIEs and their subsidiaries to breach or refuse to renew the existing contractual arrangements with us.

Currently, we do not have arrangements to address potential conflicts of interest the shareholders of our consolidated VIEs may encounter, on one hand, and as a beneficial owner of our company, on the other hand. We, however, could, at all times, exercise our call option under the Exclusive Option Agreement to cause them to transfer all of their equity ownership in our consolidated VIEs to a PRC entity or individual designated by us as permitted by the then applicable PRC laws. In addition, if such conflicts of interest arise, we could also, in the capacity of attorney-in-fact of the then existing shareholders of our consolidated VIEs as provided under the power of attorney agreements, directly appoint new directors of our consolidated VIEs. We rely on the shareholders of our consolidated VIEs to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to our company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to our best interests. However, the legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of our consolidated VIEs, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

**Our founder, chairman and chief executive officer, Mr. Sun Haitao, exerts strong influence over the board and Company’s affairs and strategy.**

Our founder, chairman and chief executive officer, exerts strong influence on our board of directors and management. He plays an integral role in Company decisions and formulating our corporate strategies. After this offering, Mr. Sun Haitao will continue to have considerable influence



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over our corporate affairs, including matters that require shareholder approval, including among others, the election of directors, approving statutory mergers, our disposition of substantially all of our assets, and amending our constitutional documents. These actions may be taken even if they are opposed by our other shareholders, including the holders of the shares. This concentration in control will limit your ability to influence corporate matters and may discourage potential merger, takeover or other change of control transactions, which could have the effect of depriving holders of our shares of the opportunity to sell their shares at a premium over the prevailing market price.

Our corporate actions will be substantially controlled by our founder, chairman and chief executive officer, Mr. Sun Haitao, who will have the ability to control or exert significant influence over important corporate matters that require approval of shareholders, which may deprive you of an opportunity to receive a premium for your shares and materially reduce the value of your investment. As a result of the foregoing, the value of your investment could be materially reduced.

**We conduct our business operation in the PRC through Hangzhou Enniu and its subsidiaries by way of the contractual arrangements, but certain of the terms of the contractual arrangements may not be enforceable under PRC laws.**

All the agreements which constitute the contractual arrangements are governed by PRC laws 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. In the event that 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 Hangzhou Enniu and its subsidiaries, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

In addition, the contractual arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Hangzhou Enniu, injunctive relief and/or winding up of Hangzhou Enniu. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral body. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral tribunal body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Hangzhou Enniu in case of disputes. In addition, interim remedies or enforcement order granted overseas courts such as Hong Kong and the Cayman Islands may not be recognizable in China. PRC laws do allow the arbitral body to grant an award of transfer of assets of or equity interests in Hangzhou Enniu in favor of an aggrieved party. Therefore, in the event of breach of any agreements constituting the contractual arrangements by Hangzhou Enniu and/or their respective shareholders, and if we are unable to enforce the contractual arrangements, we may not be able to exert effective control over Hangzhou Enniu, which could negatively affect our ability to conduct our business.

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**If the custodians or authorized users of our controlling non-tangible assets, including chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations may be materially and adversely affected.**

Under PRC law, legal documents for corporate transactions, including agreements and contracts such as the leases and sales contracts that our business relies on, are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant local branch of the SAIC. We generally execute legal documents by affixing chops or seals, rather than having the designated legal representatives sign the documents.

We have four major types of chops—corporate chops, contract chops, human resource chops and finance chops. We use corporate chops generally for documents to be submitted to government agencies, such as applications for changing business scope, directors or company name, and for legal letters. We use contract chops for executing leases and commercial contracts. We use finance chops generally for making and collecting payments, including issuing invoices. The chops of our subsidiaries and consolidated VIEs are generally held by the relevant entities so that documents can be executed locally. Although we usually utilize chops to execute contracts, the registered legal representatives of our subsidiaries and consolidated VIEs have the apparent authority to enter into contracts on behalf of such entities without chops, unless such contracts set forth otherwise.

In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to the designated key employees of our legal, administrative or finance departments. Our designated legal representatives generally do not have access to the chops. Although we have approval procedures in place and monitor our key employees, including the designated legal representatives of our subsidiaries and consolidated VIEs, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our key employees or designated legal representatives could abuse their authority, for example, by binding our subsidiaries and consolidated VIEs with contracts against our interests, as we would be obligated to honor these contracts if the other contracting party acts in good faith in reliance on the apparent authority of our chops or signatures of our legal representatives. If any designated legal representative obtains control of the chop in an effort to obtain control over the relevant entity, we would need to have a shareholder or board resolution to designate a new legal representative and to take legal action to seek the return of the chop, apply for a new chop with the relevant authorities, or otherwise seek legal remedies for the legal representative's misconduct. If any of the designated legal representatives obtains and misuses or misappropriates our chops and seals or other controlling intangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations, and our business and operations may be materially and adversely affected.

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**If any of our consolidated VIEs become subject to winding up or liquidation proceedings, we may lose the ability to use and enjoy certain important assets held by our consolidated VIEs, which could negatively impact our business and materially and adversely affect our ability to generate revenue.**

Our consolidated VIEs hold assets that are essential to the operation of our business, including the ICP License, domain names and trademarks and software licenses. Under the irrevocable powers of attorney, the Registered Shareholders may not unilaterally, without our consent, decide to voluntarily liquidate our consolidated VIEs.

If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our consolidated VIEs undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

**Our ability to acquire the entire equity interest and/or assets of Hangzhou Enniu is subject to restrictions.**

We have entered into the Contractual Arrangements in order to manage our businesses in China, and we will unwind the Contractual Arrangements when PRC laws and regulations allow our businesses to be directly operated by us through the acquisition of the entire equity interest and/or all assets of the Hangzhou Enniu. However, our acquisition of Hangzhou Enniu's equity interest and/or assets may only be conducted to the extent as permitted by applicable PRC laws and may be subject to obtaining the prerequisite approvals and procedures under applicable PRC laws. In addition, our acquisition may be subject to a minimum price limitation (such as an appraised value for the entire equity interest or all assets of Hangzhou Enniu) or other limitations as imposed by applicable PRC laws, and may also be subject to substantial costs. The respective shareholders of Hangzhou Enniu have undertaken to us that if any minimum price is required to be paid by WFOE or its respective nominee(s) to any of them, such price will be reimbursed to WFOE or their respective nominee(s). However, the legality and enforceability of such undertakings are subject to the then applicable PRC laws and regulations. So long as the Contractual Arrangements have to be maintained, we will continue to face those risks relating to Contractual Arrangements as outlined above. On the other hand, even if such a transfer takes place, the competent tax authority may require WFOE to pay enterprise income tax for ownership transfer income with reference to the market value, in which case the amount of tax could be substantial.

**Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law, and its enactment may materially and adversely affect our business and financial condition.**

The MOFCOM published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. While the MOFCOM solicited comments on this draft, substantial uncertainties

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exist with respect to the enactment timetable, interpretation and implementation of the proposed legislation and the extent of revision to the currently proposed draft. The draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in China.

Among other things, the draft Foreign Investment Law purports to introduce the principle of “actual control” in determining whether a company is considered a foreign invested enterprise, or an FIE. The draft Foreign Investment Law specifically provides that entities established in China but “controlled” by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but cleared by the MOFCOM as “controlled” by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the “restriction category” that could appear on any such “negative list.” In this connection, “control” is broadly defined in the draft law to cover any of the following summarized categories:

- holding 50% or more of the voting rights or similar rights and interests of the subject entity;
- holding less than 50% of the voting rights or similar rights and interests of the subject entity but having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to materially influence the board, the shareholders’ meeting or other equivalent decision making bodies; or
- having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial, staffing and technology matters.

Once an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a “negative list” purported to be separately issued by the State Council in the future, market entry clearance by the MOFCOM or its local counterparts would be required.

The VIE structure has been adopted by many PRC-based companies, including us, to conduct business in the industries that are currently subject to foreign investment restrictions in China. Under the draft Foreign Investment Law, VIEs that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. For any companies with a VIE structure in an industry category that is in the “restriction category” that could appear on any such “negative list,” the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the VIEs will be treated as FIEs, in which case, the existing VIE structures will likely to be scrutinized and subject to foreign investment restrictions and approval from the MOFCOM and other supervising authorities such as MIIT. Any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal.

However, there are significant uncertainties as to how the control status of our consolidated VIEs would be determined under the enacted version of the Foreign Investment Law. In addition, it is uncertain whether any of the businesses that we currently operate or plan to operate in the future

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through our consolidated VIEs would be on the to-be-issued “negative list” and therefore be subject to any foreign investment restrictions or prohibitions. If our consolidated VIEs were deemed as an FIE under the enacted version of the Foreign Investment Law, and any of the businesses that we operate were in the “restricted” category on the to-be-issued “negative list,” such determination would materially and adversely affect the value of our shares. We also face uncertainties as to whether the enacted version of the Foreign Investment Law and the final “negative list” would mandate further actions, such as MOFCOM market entry clearance, to be completed by companies with existing VIE structure and whether such clearance can be timely obtained, or at all. If we were not considered as ultimately controlled by PRC domestic investors under the enacted version of the Foreign Investment Law, further actions required to be taken by us under the enacted Foreign Investment Law may materially and adversely affect our business and financial condition.

In addition, our corporate governance practice may be materially impacted and our compliance costs could increase if we were not considered as ultimately controlled by PRC domestic investors under the Foreign Investment Law, if enacted as currently proposed. For instance, the draft Foreign Investment Law as proposed purports to impose stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment implementation report and investment amendment report that would be required for each investment and alteration of investment specifics, an annual report would be mandatory, and large foreign investors meeting certain criteria would be required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations could potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible could be subject to criminal liabilities.

### RISKS RELATING TO DOING BUSINESS IN CHINA

**Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.**

Substantially all of our operations are conducted in the PRC and all of our revenue is sourced from the PRC. Accordingly, our financial condition and results of operations are affected to a significant extent by economic, political and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. Although the PRC 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 is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China’s economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

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While the PRC economy has experienced significant growth in the past three decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. Our financial condition and results of operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, the PRC government has implemented in the past certain measures to control the pace of economic growth. These measures may cause decreased economic activity, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our businesses, financial condition and results of operations.

**There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.**

Substantially all of our operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries and consolidated VIEs are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory authorities. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the non-binding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. For example, any unpredictable interpretation of tax laws by tax authorities may result in increased our tax liabilities. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.



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**The approval of the CSRC, may be required in connection with this offering under a PRC regulation. The regulation also establishes more complex procedures for acquisitions conducted by foreign investors that could make it more difficult for us to grow through acquisitions.**

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the SASAC, the State Administration of Taxation, the SAIC, the CSRC, and the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which came into effect on September 8, 2006 and were amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle that is controlled by PRC domestic companies or individuals and that has been formed for the purpose of an overseas listing of securities through acquisitions of PRC domestic companies or assets 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. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

While the application of the M&A Rules remains unclear, we believe, based on the advice of our PRC counsel, Dacheng, that the CSRC approval is not required in the context of this offering given that (i) the WFOE, Hangzhou Zhenniu Information Technology Co., Ltd, was established by means of direct investment rather than by merge with or acquisition of any PRC domestic companies as defined under the M&A Rules, and (ii) no explicit provision in the M&A Rules classifies the respective contractual arrangements among our WFOE, Hangzhou Enniu and its shareholders as a type of acquisition transaction falling under the M&A Rules. There can be no assurance that the relevant PRC government authorities, including the CSRC, would reach the same conclusion as our PRC counsel. If the CSRC or other PRC regulatory body subsequently determines that we need to obtain the CSRC's approval for this offering or if the CSRC or any other PRC government authorities promulgates any interpretation or implements rules before our listing that would require us to obtain CSRC or other governmental approvals for this offering, we may face adverse actions or sanctions by the CSRC or other PRC regulatory authorities. In any such event, these regulatory authorities may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this offering into the PRC or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as our ability to complete this offering. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the shares offered by this prospectus. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that such settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring us to obtain their approvals for this offering, we may be unable to obtain waivers of such approval requirements. Any uncertainties and/or negative publicity regarding such approval requirements could have a material adverse effect on the trading price of our shares.



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The new regulations also established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex. For example, the M&A rules require that the MOFCOM 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 have or may have impact on the 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. The approval from the MOFCOM shall be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. Mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the MOFCOM when the threshold under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the Prior Notification Rules, issued by the State Council in August 2008 is triggered. In addition, the security review rules issued by the MOFCOM that 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 MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the new regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. See “Regulatory Environment—Regulations Relating to Foreign Exchange—Regulations on M&A and Overseas Listings.”

**PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits.**

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as “SAFE Circular 75” promulgated by the SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle.” SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign

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exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

We have notified substantial beneficial owners of ordinary shares who we know are PRC residents of their filing obligation. Nevertheless, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and there can be no assurance that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules, and there is no assurance that the registration under SAFE Circular 37 and any amendment will be completed in a timely manner, or will be completed at all. The failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

**PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of this offering to make loans to our PRC subsidiary and our consolidated VIE, or to make additional capital contributions to our PRC subsidiary.**

In utilizing the proceeds of this offering, we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiary, which are treated as foreign-invested enterprises under PRC laws, through loans or capital contributions. However, loans by us to our PRC subsidiary to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE and capital contributions to our PRC subsidiary are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, and registration with other governmental authorities in China.

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 Circular 19, effective on June 1, 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign

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Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, or Circular 59, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses, or Circular 45. According to 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 Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign invested enterprise to be used for equity investments within the PRC, 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 unclear whether SAFE will permit such capital to be used for equity investments in the PRC 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 Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in 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 Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from this offering, to our PRC subsidiary, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to any of our consolidated VIEs and their subsidiaries, each a PRC domestic company. Meanwhile, we are not likely to finance the activities of our consolidated VIEs and their subsidiaries by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by our consolidated VIEs and their subsidiaries.

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, if at all, with respect to future loans to our PRC subsidiary or any consolidated variable interest entity 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 VIEs and their subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use foreign currency, including the proceeds we received from this 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.

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

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies due to their position as director, senior management or employees of the PRC subsidiaries of the overseas companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. Our directors, executive officers and other employees who are PRC residents and who have been granted RSUs may follow SAFE Circular 37 to apply for the foreign exchange registration before our company becomes an overseas listed company. After our company becomes an overseas listed company upon completion of this offering, we and our directors, executive officers and other employees who are PRC residents and who have been granted RSUs will be subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC residents are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We will make efforts to comply with these requirements upon completion of our initial public offering. However, there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit the ability to make payment under our share incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprises in China and limit our wholly-foreign owned enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional share incentive plans for our directors and employees under PRC law.

**We rely to a significant extent on dividends and other distributions on equity paid by our WFOE to fund offshore cash and financing requirements.**

We are a holding company and rely to a significant extent on dividends and other distributions on equity paid by our WFOE and on remittances from the consolidated VIEs, for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside of China and pay our expenses. When our WFOE or the consolidated VIEs incur additional debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions or remittances to us. Furthermore, the laws, rules and regulations applicable to our PRC subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, each of our subsidiaries incorporated in China is required to set aside at least 10% of its net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. As a result of these laws, rules and

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regulations, our subsidiaries incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends, loans or advances. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary.

Limitations on the ability of our consolidated VIEs to make remittance to the WFOE and on the ability of the WFOE to pay dividends to us could limit our ability to access cash generated by the operations of our PRC operating entities, including to make investments or acquisitions that could be beneficial to our businesses, pay dividends to our shareholders or otherwise fund and conduct our business.

**We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.**

Under the PRC Enterprise Income Tax Law and its implementing rules, enterprises established under the laws of jurisdictions outside of China with “de facto management bodies” located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. “De facto management body” refers to a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the Enterprise Income Tax Law. We believe that 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.”

**Dividends paid to our foreign investors and gains on the sale of our shares by our foreign investors may become subject to PRC tax.**

Under the Enterprise Income Tax Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends paid to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject to PRC tax at a rate of 10%, if such gain is regarded as income derived from sources within the PRC. If we

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are deemed a PRC resident enterprise (as described above), dividends paid on our shares, and any gain realized from the transfer of our shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to individual investors who are non-PRC residents and any gain realized on the transfer of shares by such investors may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source). Any such PRC tax liability may be reduced by an applicable tax treaty. If we or any of our subsidiaries established outside China are considered a PRC resident enterprise, it is unclear whether holders of our shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends paid to our non-PRC investors, or gains from the transfer of our shares by such investors, are deemed as income derived from sources within the PRC and thus are subject to PRC tax, the value of your investment in our shares may decline significantly.

**We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.**

On February 3, 2015, the State Administration of Taxation issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7, which partially replaced and supplemented previous rules under the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the State Administration of Taxation, on December 10, 2009. Pursuant to this Bulletin, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable 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. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax



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treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payer fails to withhold any or sufficient tax, the transferor is required to declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange.

There is uncertainty as to the application of Bulletin 7, or previous rules under Circular 698. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions, under Circular 698 and Bulletin 7. For transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Circular 698 and Bulletin 7. As a result, we may be required to expend valuable resources to comply with Circular 698 and Bulletin 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

### **We are subject to restrictions on currency exchange.**

All of our net income is denominated in Renminbi. The Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries or consolidated VIEs. Currently, certain of our PRC subsidiaries, may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of the SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities. Since a significant amount of our future net income and cash flow will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize cash generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our shareholders and may limit our ability to obtain foreign currency through debt or equity financing for our subsidiaries and consolidated VIEs.

### **Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.**

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Following the removal of the U.S. dollar peg, the Renminbi appreciated more than 20% against the U.S. dollar over the following three



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years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has started to appreciate slowly against the U.S. dollar, though there have been periods when the U.S. dollar has appreciated against the RMB. On August 11, 2015, the PBOC allowed the Renminbi to depreciate by approximately 2% against the U.S. dollar. Since then and until the end of 2016, the Renminbi has depreciated against the U.S. dollar by approximately 10%. It is difficult to predict how long such depreciation of RMB against the U.S. dollar may last and when and how the relationship between the RMB and the U.S. dollar may change again. Currency translation losses of approximately RMB41.6 million and RMB123.8 million, respectively, were recognized in other comprehensive income for the years ended December 31, 2015 and 2016, and a currency translation gain of approximately RMB98.0 million was recognized in other comprehensive income for the year ended December 31, 2017. See “Financial Information—Key Components of Our Results of Operations—Currency translation differences”.

Substantially all of our revenue and costs are denominated in Renminbi and most of our financial assets are also denominated in Renminbi. We rely entirely on dividends and other fees paid to us by our WFOE and our consolidated VIEs. Our proceeds from the Global Offering will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, as Renminbi is the functional currency of our WFOE and our consolidated VIEs. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

### RISKS RELATING TO THE GLOBAL OFFERING

**No public market currently exists for our Shares; the market price for our Shares may be volatile and an active trading market for our Shares may not develop.**

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and the Joint Global Coordinators (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

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In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including:

- changes in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us, our industry or our Contractual Arrangements;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- developments in the consumer finance and credit card market in China;
- changes in the economic performance or market valuations of other online financial companies;
- the depth and liquidity of the market for our Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or anticipated sales of additional Shares; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

**You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future.**

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

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**Future sales or perceived sales of our Shares in the public market by major Shareholders following the Global Offering could materially and adversely affect the price of our Shares.**

Prior to the Global Offering, there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders, or issuance by us of significant amounts of our Shares after the Global Offering, could result in a significant decrease in the prevailing market prices of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price for our Shares and our ability to raise equity capital in the future.

**Dividend distributed in the past may not be indicative of our future dividend policy.**

During the Track Record Period, we did not declare or distribute any dividends to our equity holders. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and subject to our Articles of Association and the PRC laws, including (where required) the approvals from our shareholders and our Directors. Our Directors will consider our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors when they determine the distribution of dividend. For details of our dividend policy, see “Financial Information—Dividend Policy.” In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiary. As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends.

**We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.**

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering, including developing acquisition of our users, enhancing our technology capabilities and pursuing investments in assets and businesses. For details, see “Future Plans and Use of Proceeds—Use of Proceeds.” However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

**Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.**

Immediately following the completion of the Global Offering (on the basis that all Class B Ordinary Shares and Preferred Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised), our Controlling Shareholders will, directly and indirectly, control the voting right of 47.02% of the total issued share capital in the Company. Our Controlling Shareholders will, through their voting power at the Shareholders’ meetings and its

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## RISK FACTORS

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position on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, amendment to our Articles of Association and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

**We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than other jurisdictions, you may have difficulties in protecting your Shareholder rights.**

Our corporate affairs are governed by our Articles of Association and by the Cayman Companies Law and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our 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 English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in other jurisdictions. See “Appendix III—Summary of the Constitution of the Company and Cayman Island Company Law and Taxation.”

As a result of all of the above, our public Shareholders may have difficulties in protecting their interests through actions against our management, Directors or major Shareholders.

**There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the Offer Price.**

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be not more than five Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

**Facts, forecasts and statistics in this prospectus relating to the PRC economy and the consumer finance industry may not be fully reliable.**

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy, the consumer finance industry in China and certain provinces are obtained from various sources including official government publications that we believe are reliable, as well as from a report prepared by

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Oliver Wyman commissioned by us. However, we cannot guarantee the quality or reliability of these sources. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the report prepared by Oliver Wyman, neither we, the Joint Global Coordinators, the Joint Sponsors, the Underwriters nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this prospectus relating to the PRC, the PRC economy, consumer finance industry in China, especially the private consumption upgrade segment, and the overall credit industry, may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurances that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

**You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.**

There may be, subsequent to the date of this document but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the Global Offering.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, 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 our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus 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 prospectus misleading.

### GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

Neither the delivery of this prospectus nor any subscription made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

See “Underwriting” in this prospectus for further information about the Underwriters and the underwriting arrangements.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DETERMINATION OF THE OFFER PRICE**

The Offer Price is expected to be determined between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, July 6, 2018 and, in any event, not later than Thursday, July 12, 2018 (unless otherwise determined between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company. If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on or before Thursday, July 12, 2018, the Global Offering will not become unconditional and will lapse immediately.

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

The application procedures for the Hong Kong Offer Shares are set forth in “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering” in this prospectus.

### **SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Shares to be converted from the Class B Ordinary Shares and the Preferred Shares) and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the basis that, among other things, we satisfy



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2017 which is over HK\$500 million; and (ii) our expected market capitalization at the time of the Listing which exceeds HK\$4 billion based on the low-end of the indicative Offer Price range.

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, July 13, 2018. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

All necessary arrangements have been made to enable the securities to be admitted into CCASS.

### **OVER-ALLOTMENT AND STABILISATION**

Details of the arrangements relating to the Over-allotment and stabilisation are set out in the section headed “Structure of the Global Offering” in this prospectus.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and 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 Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **SHARE REGISTRAR AND HONG KONG STAMP DUTY**

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar in Hong Kong.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

### REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed our Hong Kong Share Registrar, Tricor Investor Services Limited, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Hong Kong Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Cayman Companies Law and our Articles;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles.

### PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasised that none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares or exercising any rights attached to them.

### EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.82614 to HK\$1.00, the exchange rate prevailing on the June 22, 2018 published by the PBOC for foreign exchange transactions (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.8459 to US\$1.00, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on June 22, 2018 and (iii) the translations between U.S. dollars and Renminbi were made at the rate of RMB6.5027 to US\$1.00, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on June 22, 2018.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

### ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong.

Since our headquarters and most of the business operations of our Company and our subsidiaries are managed and conducted in the PRC, and all of our executive Directors ordinarily reside in the PRC, we do not and, for the foreseeable future, will not contemplate that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the following conditions. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures between us and the Stock Exchange:

1. we have appointed Mr. Zhao Ke and Ms. Li Hiu Ling as our authorized representatives (“**Authorized Representatives**”) pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company’s principal channel of communication with the Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter in relation to our Company within a reasonable period of time upon request of the Stock Exchange;
2. when the Stock Exchange wishes to contact the Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any change in the Authorized Representatives. We have provided the Stock Exchange with the contact details (i.e. mobile phone number, office phone number, fax number and email address) of all Directors to facilitate communication with the Stock Exchange;
3. all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time as and when required;
4. we have appointed Guotai Junan Capital Limited as our compliance advisor (the “**Compliance Advisor**”) upon listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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year commencing immediately after the Listing Date. The Compliance Advisor will have access at all times to our Authorized Representatives, the Directors and other senior management and act as the additional channel of communication with the Stock Exchange when the Authorized Representatives are not available;

5. we will ensure that there are adequate and efficient means of communication between us, the Authorized Representatives, Directors, other senior management and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between the Stock Exchange and ourselves. We will also inform the Stock Exchange promptly in respect of any change in the Compliance Advisor;
6. we will ensure that meetings between the Stock Exchange and the Directors can be arranged through the Authorized Representatives or the Compliance Advisor, or directly with the Directors with reasonable notice; and
7. in addition to the Compliance Advisor's role and responsibilities after the Listing (i) to inform us on a timely basis any amendment or supplement to the Listing Rules and any new or amended law, regulations or codes in Hong Kong applicable to the Company, and (ii) to provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations, we will retain a Hong Kong legal advisor to advise us on the compliance with the Listing Rules and other applicable Hong Kong laws and regulations relating to securities after the Listing.

### WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after the Listing, certain transactions, which will constitute non-exempt continuing connected transactions under the Listing Rules upon Listing. Our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements (as applicable) in respect of certain non-exempt continuing connected transactions. For details of the non-exempt continuing connected transactions, see "Connected Transactions."

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

*Please see “Directors and Senior Management” for further information with respect to our Directors.*

### DIRECTORS

| <u>Name</u>                                | <u>Address</u>                                                                                            | <u>Nationality</u> |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------|
| <b>Executive Directors</b>                 |                                                                                                           |                    |
| Mr. Sun Haitao (孫海濤)                       | Room 1302, Unit 2<br>Building 2, Zhengxinyuan<br>Xixi Chengyuan<br>Xihu District<br>Hangzhou, PRC         | Chinese            |
| Mr. Yang Yuzhi (楊宇智)                       | Room 1001, Unit 3<br>Building 1, Puyuan, Kunhe Xixili<br>Xihu District<br>Hangzhou, PRC                   | Chinese            |
| Mr. Zhao Ke (趙軻)                           | Room 901, Unit 4<br>Building 6, Nan District<br>Xixi Dieyuan<br>Xihu District<br>Hangzhou, PRC            | Chinese            |
| <b>Non-Executive Directors</b>             |                                                                                                           |                    |
| Ms. Zou Yunli (鄒雲麗)                        | Room 1301<br>Building 3, Qianshuiwan Xiaoqu<br>Gao Xin Nan Huan Road<br>Nanshan District<br>Shenzhen, PRC | Chinese            |
| <b>Independent Non-Executive Directors</b> |                                                                                                           |                    |
| Mr. Wong Ti (汪棣)                           | 11th Floor<br>No. 160 Xin Fu Street<br>29 Lin, Zhou Mei Li<br>Neihu District<br>Taipei, Taiwan            | Taiwanese          |
| Mr. Wang Zhaocheng<br>(王朝成)                | No. 411 Kunshan Street<br>Kunshan Xiang<br>Wuwei, Wuhu<br>Anhui, PRC                                      | Chinese            |
| Mr. Ye Xiang (葉翔)                          | Flat B, 16/F., No. 2 Left Bank<br>Southern District, 8 Ap Lei Chau Drive<br>Hong Kong                     | Chinese Hong Kong  |

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### Joint Sponsors

**Citigroup Global Markets Asia Limited**

50th Floor, Champion Tower  
Three Garden Road  
Central  
Hong Kong

**China Merchants Securities (HK) Co., Limited**

48/F, One Exchange Square  
Central  
Hong Kong

#### Joint Global Coordinators

**Citigroup Global Markets Asia Limited**

50th Floor, Champion Tower  
Three Garden Road  
Central  
Hong Kong

**China Merchants Securities (HK) Co., Limited**

48/F, One Exchange Square  
Central  
Hong Kong

**CLSA Limited**

18/F, One Pacific Place  
88 Queensway  
Hong Kong

#### Joint Bookrunners

**Citigroup Global Markets Asia Limited**

(in relation to the Hong Kong Public Offering)  
50th Floor, Champion Tower  
Three Garden Road  
Central  
Hong Kong

**Citigroup Global Markets Limited**

(in relation to the International Offering)  
33 Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom

**China Merchants Securities (HK) Co., Limited**

48/F, One Exchange Square  
Central  
Hong Kong



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**CLSA Limited**

18/F, One Pacific Place  
88 Queensway  
Hong Kong

**ABCI Capital Limited**

11/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

**BOCI Asia Limited**

26/F, Bank of China Tower  
1 Garden Road  
Central, Hong Kong

**BOCOM International Securities Limited**

9th Floor, Man Yee Building  
68 Des Voeux Road Central  
Central, Hong Kong

**CCB International Capital Limited**

12/F, CCB Tower  
3 Connaught Road Central  
Central, Hong Kong

**China Everbright Securities (HK) Limited**

24/F, Lee Garden One  
33 Hysan Avenue, Causeway Bay  
Hong Kong

**Haitong International Securities Company Limited**

22/F Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**Silk Road International Capital Limited**

Room 2901, 29/F, Two IFC  
No. 8 Finance Street  
Central, Hong Kong

**Joint Lead Managers**

**Citigroup Global Markets Asia Limited**

(in relation to the Hong Kong Public Offering)  
50th Floor, Champion Tower  
Three Garden Road  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Citigroup Global Markets Limited**

(in relation to the International Offering)

33 Canada Square, Canary Wharf

London E14 5LB

United Kingdom

**China Merchants Securities (HK) Co., Limited**

48/F, One Exchange Square

Central

Hong Kong

**CLSA Limited**

18/F, One Pacific Place

88 Queensway

Hong Kong

**ABCI Securities Company Limited**

10/F, Agricultural Bank of China Tower

50 Connaught Road Central

Hong Kong

**BOCI Asia Limited**

26/F, Bank of China Tower

1 Garden Road

Central, Hong Kong

**BOCOM International Securities Limited**

9th Floor, Man Yee Building

68 Des Voeux Road Central

Central, Hong Kong

**CCB International Capital Limited**

12/F, CCB Tower

3 Connaught Road Central

Central, Hong Kong

**China Everbright Securities (HK) Limited**

24/F, Lee Garden One

33 Hysan Avenue, Causeway Bay

Hong Kong

**Haitong International Securities Company Limited**

22/F Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Silk Road International Capital Limited**

Room 2901, 29/F, Two IFC  
No. 8 Finance Street  
Central, Hong Kong

**Futu Securities International (Hong Kong) Limited**

11/F, Bangkok Bank Building  
18 Bonham Strand West  
Sheung Wan, Hong Kong

**Legal Advisers to our Company**

*As to Hong Kong and United States law*

**Davis Polk & Wardwell**

18th Floor, The Hong Kong Club Building  
3A Chater Road  
Hong Kong

*As to PRC law*

**Beijing Dacheng Law Offices, LLP**

7/F, Building D  
Parkview Green FangCaoDi  
No.9 Dongdaqiao Road  
Chaoyang District  
Beijing  
PRC

*As to Cayman Islands law*

**Maples and Calder (Hong Kong) LLP**

53rd Floor, The Center  
99 Queen's Road Central  
Hong Kong

**Legal Advisors to the Underwriters**

*As to Hong Kong and United States law*

**Freshfields Bruckhaus Deringer**

55<sup>th</sup> Floor, One Island East  
Taikoo Place, Quarry Bay  
Hong Kong

*As to PRC law*

**King & Wood Mallesons**

20<sup>th</sup> Floor, East Tower  
World Financial Center  
1 Dongsanhuan Zhonglu  
Chaoyang District  
Beijing  
PRC

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| <b>Auditors and Reporting Accountants</b> | <b>PricewaterhouseCoopers</b><br>Certified Public Accountants<br>22/F, Prince's Building<br>Central<br>Hong Kong                 |
| <b>Industry Advisor</b>                   | <b>Oliver Wyman Consulting (Shanghai) Ltd</b><br>Room 3708-10, The Center<br>989 Changle Rd<br>Xuhui District<br>Shanghai<br>PRC |
| <b>Compliance Advisor</b>                 | <b>Guotai Junan Capital Limited</b><br>27/F, Low Block, Grand Millennium Plaza<br>181 Queen's Road Central<br>Hong Kong          |
| <b>Receiving Bank</b>                     | <b>Bank of China (Hong Kong) Limited</b><br>1 Garden Road<br>Hong Kong                                                           |

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## CORPORATE INFORMATION

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|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Registered Office</b>                                       | <b>The offices of Maples Corporate Services Limited</b><br>PO Box 309<br>Ugland House, Grand Cayman<br>KY1-1104<br>Cayman Islands                                                                                                                                    |
| <b>Headquarters and Principal Place of Business in the PRC</b> | 12th-15th Floors, Tower G<br>Xixigu International Business Center<br>No. 80 Zixia Road, Xihu District<br>Hangzhou, Zhejiang<br>PRC                                                                                                                                   |
| <b>Principal Place of Business in Hong Kong</b>                | Unit 1006, 10th Floor<br>Tower One, Lippo Centre<br>89 Queensway<br>Hong Kong                                                                                                                                                                                        |
| <b>Company's Website</b>                                       | <a href="https://www.u51.com">https://www.u51.com</a><br><i>(information contained in this website does not form part of this prospectus)</i>                                                                                                                        |
| <b>Company Secretary</b>                                       | Ms. Li Hiu Ling (李曉玲) (ACIS, ACS)<br>Unit 1006, 10th Floor<br>Tower One, Lippo Centre<br>89 Queensway<br>Hong Kong                                                                                                                                                   |
| <b>Authorized Representatives</b>                              | Mr. Zhao Ke (趙軻)<br>12th-15th Floors, Tower G<br>Xixigu International Business Center<br>No. 80 Zixia Road, Xihu District<br>Hangzhou, Zhejiang<br>PRC<br><br>Ms. Li Hiu Ling (李曉玲)<br>Unit 1006, 10th Floor<br>Tower One, Lippo Centre<br>89 Queensway<br>Hong Kong |
| <b>Audit Committee</b>                                         | Mr. Wong Ti (汪棣) ( <i>Chairman</i> )<br>Mr. Wang Zhaocheng (王朝成)<br>Ms. Zou Yunli (鄒雲麗)                                                                                                                                                                              |
| <b>Nomination Committee</b>                                    | Mr. Sun Haitao (孫海濤) ( <i>Chairman</i> )<br>Mr. Wang Zhaocheng (王朝成)<br>Mr. Ye Xiang (葉翔)                                                                                                                                                                            |

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## CORPORATE INFORMATION

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**Remuneration Committee**

Mr. Wang Zhaocheng (王朝成) (*Chairman*)  
Mr. Sun Haitao (孫海濤)  
Mr. Ye Xiang (葉翔)

**Principal Share Registrar and  
Transfer Office**

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

**Hong Kong Share Registrar**

**Tricor Investor Services Limited**  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Principal Bank**

**Bank of China Limited, Hangzhou Hi-tech  
Development Zone Sub-branch**  
No. 388, Wensan Road, Xihu District  
Hangzhou, Zhejiang, PRC

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## INDUSTRY OVERVIEW

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*The information and statistics set forth in this section and elsewhere in this Prospectus have been derived from the industry report commissioned by us and independently prepared by Oliver Wyman, in connection with the Global Offering. In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and internal organizations, market statistics providers, communications with various PRC government agencies or other Independent Third Party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any material fact has been omitted that would render such information and statistics false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Oliver Wyman Report which may qualify, contradict or adversely impact the quality of the information in this section. None of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters or their respective directors, advisors and affiliates have independently verified such information and statistics and no representation has been given as to their accuracy. Accordingly, such information should not be unduly relied upon.*

### REPORT COMMISSIONED FROM OLIVER WYMAN

We have commissioned Oliver Wyman Consulting (Shanghai) Ltd, or Oliver Wyman, a third-party global management consulting firm, to conduct analysis and prepare a report (the “Oliver Wyman Report”) on the PRC financial technology industry and market. Oliver Wyman is a wholly-owned subsidiary of Marsh & McLennan Companies, a global management consulting firm with 50 offices in 26 countries. It has deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. We agreed to pay Oliver Wyman a fee of RMB 1.1 million for the preparation and use of the Oliver Wyman Report. Unless otherwise indicated, market estimates or forecasts in this section represent Oliver Wyman’s view on the future development of the PRC financial technology industry.

In preparing the report, Oliver Wyman has relied on statistics and information obtained through both primary and secondary research. Primary research includes interviewing industry insiders and recognized third-party industry associations, while secondary research includes reviewing corporate annual reports, databases of relevant official authorities and professional agencies, independent reports and publications, as well as the proprietary database established by Oliver Wyman during the past decades. Oliver Wyman has also cross-checked the data obtained from different sources to ensure such data is in line with the practice of the industry. During the forecast period from 2018 to 2021, the forecasts were made by Oliver Wyman on the basis of following assumptions:

- The social, economic and political conditions in China are expected to remain stable during the forecast period;
- China’s economy is expected to continue to grow steadily during the forecast period;
- The key drivers of China’s financial technology industry are expected to continue to drive the development of financial technology market in the forecast period; and



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## INDUSTRY OVERVIEW

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- The financial technology market in China is not expected to be materially and adversely affected by any extreme circumstances during the forecast period.

Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Oliver Wyman Report which may qualify, contradict or adversely impact the quality of the information in this section.

### OVERVIEW OF CHINA'S FINANCIAL SERVICES INDUSTRY

#### Government Campaign to Extend Access to Financial Services in China

In recent years, China's government has put forth a campaign to promote access to financial services for the general population. This mandate is intended to provide access to financial services for all, whether in the form of expanding accessibility of physical banking facilities or encouraging innovative online financial services. For example, bank accounts are being actively encouraged by the regulators as the cornerstone of all bank activities. As a result, the bank account penetration rate in China increased significantly in the past few years. In 2011, 63.8% of people over 15 years old in China had bank accounts and such percentage increased to 78.9% in 2014, according to the Oliver Wyman Report. Nevertheless, such rate in China is still significantly lower than that in the United States. In 2011, 88.0% of the population over 15 years old in the United States had bank accounts and such percentage increased to 93.6% in 2014, according to the Oliver Wyman Report.

Despite the mandate to provide financial services for the general population has made Chinese financial institutions increasingly accessible to Chinese people, the level of financial inclusion is still unsatisfactory. In 2011, 7.3% of people over 15 years old in China made borrowings from financial institutions and such percentage increased to 9.6% in 2014, according to the Oliver Wyman Report. In contrast, according to the Oliver Wyman Report, in 2011, 20.1% of people over 15 years old in the United States made borrowings from financial institutions and such percentage increased to 23.3% in 2014. In addition, the underdevelopment of credit data infrastructure and the rigidity in the application process for a bank loan further aggravates the financial inaccessibility. According to the Oliver Wyman Report, in 2017, there were only 950.0 million people included in PBOC's credit reference center, of which only 480.0 million had credit rating. All these suggest the financing needs of Chinese have been severely underserved by traditional financial institutions.

#### Overview of Financial Technology Industry in China

As traditional financial institutions in China fails to sufficiently serve a growing demand of financial services, financial technology companies have emerged in recent years to bridge the gap. The rise of internet economy in China serves as the key driver for the prosperity of financial technology industry. According to the Oliver Wyman Report, the internet users penetration rate is expected to increase from 55.8% (772.0 million users) in 2017 to 66.7% (933.2 million users) by 2021. Concurrently, an even faster growth can be expected for China's mobile internet users, with the penetration rate increasing from 54.4% (752.7 million users) in 2017 to 66.7% (933.0 million users)

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## INDUSTRY OVERVIEW

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in 2021, i.e., mobile population will account for almost 100% of internet population in 2021. Indeed, the deep penetration of smart mobile devices coupled with the leap-frogged development of mobile payment infrastructure in China has profoundly shaped the financial technology industry and influenced people's daily life, enabling China to quickly evolve towards a cashless society.

The significant transformative power that new technologies have unleashed during last few years further prompts the growth of financial technology industry. The emergence of new technologies, such as big data analytics, Internet of Things and cloud computing, strengthens the ability in acquiring, assembling, analyzing and applying information, enabling the convenient access to financial services by a wider group of people and the development of revolutionary business models.

New business models are observed across the key areas of financial services by financial technology companies, ranging from online personal credit management, online consumer finance to online investment service. Financial technology companies focusing on personal credit management offer users bill management and repayment facilitation across different credit cards and management service of various credit facilities in daily life, such as home mortgage, automobile loans and utilities payables. They generally have strong technological capabilities in bill statement import and in natural language processing. Market opportunities for this type of players are abundant. Besides monetizing their technology-enabled risk assessment system by providing technology consultation services, personal credit management platforms can embrace the strategy to develop into holistic personal finance management platforms or integrated ecosystem players. For online consumer finance players, leaders in this field are able to capture the market opportunity and continuously expand their user base by understanding and serving a large population whose financial needs have long been underserved or unserved by traditional financial institutions. With respect to online investment service providers, as the penetration of mobile internet continues to increase in China, successful players can greatly expand their user coverage and serve mass-affluent at marginal cost through online distribution channels.

### ONLINE PERSONAL CREDIT MANAGEMENT

#### Characteristics of Online Personal Credit Management Market

Online personal credit management is defined as the applications to consolidate, track and manage a person's credit facilities. Credit facilities include credit card, home mortgage, automobile loans, utilities payables and other emerging consumer credits. The demand for personal credit management services stems from the need to keep track of different payables to avoid overdue payment, to obtain a holistic view of the person's overall credit outstanding balance and to repay the bills on a timely manner. According to the Oliver Wyman Report, currently in China, the majority of personal credit management is in the form of credit card management.

Users of credit card management service are primarily credit card holders with multiple credit cards and tracked credit record. They are accustomed to higher level of consumption and financial needs. They also feature high level of creditworthiness, evidenced by their passing the strict credit card screening process conducted by traditional financial institutions and by their willingness in taking ownership of their credit card bills and maintaining their credit history.

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The credit card management value chain spans from credit card information acquisition, credit card application to credit card bill management, credit card bill repayment and credit card bill refinancing with flexibility to further expand to online consumer finance and online investment services. As Chinese people are increasingly using mobile applications to obtain information and manage their personal finance, credit card management has increasingly moved online, particular for credit card repayment and credit card application process.

China's credit card market has been growing rapidly over the past few years. According to the Oliver Wyman Report, the cumulative number of credit cards issued in China was 780.0 million in 2017, representing 23.8% growth from 2016 and is expected to reach 1,329.6 million in 2021. In 2017, the number of credit cards in use was 587.5 million and is expected to reach 1,050.4 million in 2021, representing a CAGR of 15.6%. At the same time, interest-bearing balance of credit cards is expected to increase from RMB2,025.8 billion in 2017 to RMB6,553.6 billion in 2021. Moreover, another pronounced trend has been that online channels have become increasingly important for credit card application and issuance primarily due to the convenience of online channels in comparison to offline channels and the ease of access to a broader base of customers with lower costs. In particular, third party internet companies are becoming important partners for banks as these internet platforms are well positioned to attract user attention with financing and shopping scenario where credit card offerings comparison and credit card applications can be done easily. According to the Oliver Wyman Report, among the new credit cards issued in 2017, approximately 35.0% were issued through online channels and approximately 14.0% were issued through third party internet companies. It is expected that in 2021, approximately 55.0% of new credit cards are issued through online channels and approximately 33.0% are issued through third party internet companies.

Despite this rapid growth, the current credit card penetration rate in China is still very low, with only selective and top-credit consumer class covered. According to the Oliver Wyman Report, in 2017, each person in China owned merely 0.6 credit card on average, compared to 2.0 credit cards in use per person in the United States and 2.5 credit cards in use per person in Japan. In addition, the revolving balance penetration of credit card balance was approximately 26.0% in China in 2017, compared to 46.7% in the United States, illustrating significant room of growth for credit card market in China. As credit card penetration rate is expected to reach 36.9% in 2021 (or 516.7 million credit card holders) from 20.1% in 2017 (or 278.4 million credit card holders) according to the Oliver Wyman Report, potential market for online credit card management is expected to stably expand in the future.

### **Growth Drivers of Online Personal Credit Management Market**

There are three key drivers for the growth of online personal credit management market. First of all, the penetration rate of credit card—the main form of personal credit in China—has experienced significant growth in China, which in turn drives the demand for credit management service. According to the Oliver Wyman Report, on average, one credit cardholder in China has an outstanding balance of approximate RMB20,000.0, a credit limit of RMB44,800.0 and 2.8 credit cards in 2017. Increasing use of credits among credit card holders also calls for greater need of integrated one-stop credit management platforms, where they can have easy access to their financial information on a combined basis.

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The second driver stems from the need for repayment management. Because of the impact credit record has on one's future borrowing cost and borrowing capacity, users are taking personal credibility more seriously and cautiously. As different personal credit cards bear different due dates and repayment frequencies, demand for personal credit management tool for repayment reminder becomes more pronounced.

Furthermore, an integrated personal credit management platform provides users a holistic and up-to-date view of their cash flow status, enabling them to make informed financial decision, such as when to “deleverage” and when to take more credit.

### **Key Success Factors and Competitive Landscape of Online Personal Credit Management Market**

Players in personal credit market include independent third party online personal credit management platforms and other internet players. Top players operating in this market have advantages in the following capabilities. First of all, top players have strong data capturing and processing capabilities, which enable them to access, import, process and synchronize accounts from different channels automatically and accurately, sparing users' efforts to import the data manually. Secondly, as users are becoming increasingly cautious in selecting personal credit management platforms, brand recognition plays an important role in distinguishing oneself from competitors. Thirdly, well-established platforms are able to acquire and retain users in a cost-effective manner, benefiting from early mover advantage. Furthermore, top players are able to deliver supreme user experience through its comprehensive product and service offering and its user-friendly credit management system, featured with a clear classification of account categories set by default for automatic consolidation. In addition, given the sensitivity of the personal, financial and transactional data stored on the online platforms, top players implement solid cyber security measures to ensure data privacy and account security.

According to the Oliver Wyman Report, 51 Credit Card Manager, the application through which we provide credit card management services, is the first online credit card management application emerged in China in 2012, followed by other participants offering the same services. With longer history of operations, early entrants generally have better understanding of user needs and are better at controlling user acquisition costs. 51 Credit Card Manager, having the largest number of MAU every month since January 2015, is the largest online credit card management platform in terms of MAU for each of 2015, 2016 and 2017, according to the Oliver Wyman Report.

## **ONLINE CONSUMER FINANCE**

### **Characteristics of Online Consumer Finance Market**

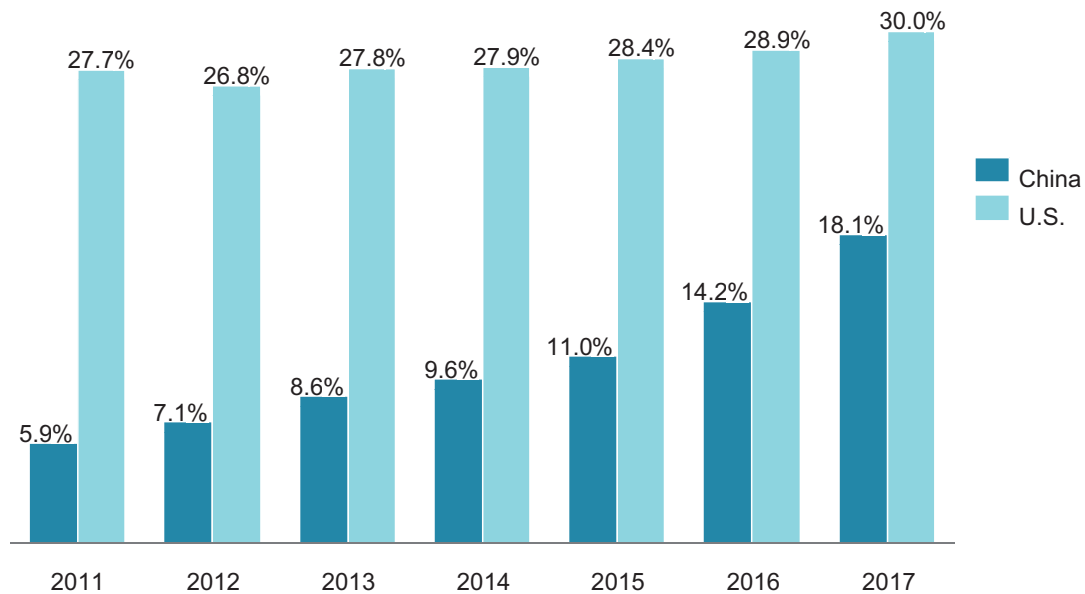
Historically, Chinese people have been known for “saving a lot, not spending enough”. In recent years, we have witnessed a more willing attitude of Chinese people to take loans for consumption. As illustrated by the following chart, although China's personal debt-to-income ratio (excluding mortgage and personal operating loan) still largely lags behind that of U.S. during 2011 to 2017, it increased from 5.9% in 2011 to 18.1% in 2017. According to the Oliver Wyman Report, the personal debt-to-income ratio in China is expected to continue to rise in the future.

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**Personal Debt-to-Income Ratio Comparison<sup>(1)</sup>**



Source: PBOC, Euromonitor, Federal Reserve of New York, Oliver Wyman analysis

Note:

(1) Excluding mortgage and personal operating loan

The increasing credit need of Chinese people, coupled with the ineffectiveness and low penetration of traditional financial institutions serving this need, has generated considerable market for consumer finance platforms in China. Consumer finance market generally includes markets of personal consumption loan, market for credit cards and excludes mortgages and automobile loans.

Consumer finance market in China shows promising potential. It has undergone substantial expansion in recent years and its total outstanding balance is expected to grow from RMB8.2 trillion in 2017 to RMB19.9 trillion in 2021 at a CAGR of over 24.9%, according to the Oliver Wyman Report. In particular, driven by the growing penetration of mobile internet and its convenient use in China, the total outstanding balance of online consumer finance market is expected to grow from RMB1.1 trillion in 2017 to RMB2.5 trillion in 2021 at a CAGR of 23.3%, according to the Oliver Wyman Report. Young adults are the most enthusiastic customers for online consumer finance services. According to the Oliver Wyman Report, consumers aged 19 to 35 contributed to 65 to 75% of total online consumer credit usage in China in 2015. Compared with banks and other traditional offline lending players, online consumer finance players extend the benefits of flexibility and convenience to consumers with their smaller-size and shorter-term loan products and faster and smoother transaction experiences. The following chart illustrates the difference of loan products offered by banks, non-bank offline lending companies and online consumer finance players in terms of interest rate, duration, credit limit, approval time and application materials.

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|                                 | Banks                                                                                                                                                      |                | Non-bank offline lending companies                                                                                                                                               |                                     | Non-bank online consumer finance players                                                                         |                         |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------------------------------------------------------------------------|-------------------------|
| Player . . . . .                | Big 4 banks                                                                                                                                                | Big 4 banks    | Micro loan companies                                                                                                                                                             | Licensed consumer finance companies | Online consumer finance companies                                                                                | P2P companies           |
| Product . . . . .               | Consumer loan                                                                                                                                              | Credit Card    | Secured loan                                                                                                                                                                     | Unsecured loan                      | Point of sales credit                                                                                            | Unsecured personal loan |
| Interest rate . . . .           | 6.9%+                                                                                                                                                      | 15%+           | 5%+                                                                                                                                                                              | 20%+                                | 15%+                                                                                                             | 12-18%+                 |
| Duration. . . . .               | Up to 2 years                                                                                                                                              | Up to 2 months | Up to 3 years                                                                                                                                                                    | Up to 3 years                       | Up to 1 year                                                                                                     | Up to 2 years           |
| Credit limit (RMB) . . . . .    | Max. 300K                                                                                                                                                  | Max. 100K      | Up to 500K                                                                                                                                                                       | Up to 30K                           | 50K                                                                                                              | Up to 500K              |
| Approval time . . .             | Up to 30 days                                                                                                                                              | Around 30 days | Up to 7 working day                                                                                                                                                              | can be within hours                 | Can be within hours                                                                                              | Within 24 hours         |
| Application materials . . . . . | <ul style="list-style-type: none"> <li>• ID</li> <li>• Income proof</li> <li>• Tax proof</li> <li>• Employment proof</li> <li>• Residence proof</li> </ul> |                | <ul style="list-style-type: none"> <li>• ID</li> <li>• Income proof</li> <li>• Employment proof</li> <li>• Residence proof</li> <li>• Asset proof (for secured loans)</li> </ul> |                                     | <ul style="list-style-type: none"> <li>• ID</li> <li>• Third-party credit scores (e.g. Sesame credit)</li> </ul> |                         |

Source: Oliver Wyman analysis

### Profile of Consumer Finance Users

Users of consumer finance in China can be broadly categorized into users with credit cards and users without credit cards. Users with credit cards are generally perceived to be the prime borrowers in China, evidenced by their passing through stringent risk requirements set by Chinese banks. In China, credit card holders accounted for only 20.1% of the overall population (or 278.4 million) in 2017. According to the Oliver Wyman Report, all types of online personal unsecured loans with different loan amount are expected to increase in absolute amount of outstanding balance from 2017 to 2021. In particular, the total outstanding balance of online personal unsecured loans with loan size from RMB5,000 to RMB20,000 is expected to experience significant increase from 260.3 billion to 620.1 billion, at a CAGR of 24.2%, which is driven by both the consumption upgrade from demand side and improved credit evaluation method enabled by data and technology from supply side.

Apart from credit card holders, in 2017, 14.6% of population in China had credit history but no access to credit card and 48.3% of population in China was completely stripped of any credit history despite their active financial activity involvement, according to the Oliver Wyman Report. Financial services providers with strong technology-enabled risk management capabilities can properly price in the risk and serve the growing consumer finance demands of this population.

### Growth Drivers of Online Consumer Finance Market

There are three key drivers for the growth of the online consumer finance market. First, the expansion of this market depends on the continuous increase of disposable income of the Chinese people. Rising disposable income represents higher ability to spend and prompts higher level of consumption demand. Second, Chinese consumers' increasing open attitude towards taking credit to finance their consumption is also critical in realizing the market's potential. Third, higher mobile and internet penetration will further propel higher growth for the online consumer finance sector.

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## INDUSTRY OVERVIEW

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### Key Success Factors and Competitive Landscape of Online Consumer Finance Market

Players in the consumer finance market can be divided into traditional players and internet players. The former includes banks, licensed consumer finance companies and micro loan companies and the latter includes e-commerce driven platforms and independent consumer finance platforms. According to the Oliver Wyman Report, the main challenges facing online consumer finance players include, among others, (i) the difficulty in maintaining the accuracy and integrity of consumer and credit data; (ii) higher cost of funding in comparison with banks and licensed consumer finance companies as a result of lack of access to interbank borrowings; (iii) regulatory changes and uncertainty; and (iv) the creditworthiness of borrowers.

Top players operating in the online consumer finance market are competent at integrating technology-enabled innovation into the risk management process. According to the Oliver Wyman Report, while traditional financial institutions generally rely on the PBOC credit bureau, applicants and other third-party public data providers for data-gathering, top online consumer finance players do not have direct access to the PBOC credit bureau but are able to utilize a wider range of data sources including online footprint (such as customers' social media activity and online application usages), Internet usage (such as web browser type and history), mobile usage (such as location and online application usage) and transaction channels, to improve customer understanding and build proprietary risk profiles. At credit analysis and risk pricing stage, leading players are able to leverage artificial intelligence and big data techniques to cross-reference borrowers' frequent locations, online habits, and social network with their application information. In addition to risk management capabilities, top players have stable, cost-efficient and diversified funding sources and unique channels for borrower acquisition. They are able to attract and retain users by superior user experience featured with easy loan application, efficient approval process, and speedy fund disbursement. According to the Oliver Wyman Report, the major entry barriers for online consumer finance market include (i) obtaining relevant license to conduct online consumer finance business; (ii) developing data-enabled risk management capabilities; and (iii) maintaining low user acquisition cost.

According to Oliver Wyman, 51 Renpin Loan ranked the first among all consumer finance products with a focus on credit card holders in terms of loan facilitation volume in 2017. The following table sets forth the top five online consumer finance market players with a focus on credit card holders in terms of loan origination amount in 2017.

| Player                | 2017 loan origination amount | Market share |
|-----------------------|------------------------------|--------------|
|                       | (billion)                    |              |
| Our Company . . . . . | 21.85                        | 13%          |
| Company A . . . . .   | 13-15                        | 8%           |
| Company B . . . . .   | 11-13                        | 8%           |
| Company C . . . . .   | 9-11                         | 4%           |
| Company D . . . . .   | 3-5                          | 3%           |
| Others . . . . .      | Around 100                   | 65%          |

Source: Oliver Wyman



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## INDUSTRY OVERVIEW

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### Regulatory Environment of Online Consumer Finance Market in China

Chinese government has opened up new consumer finance company licenses since 2009, and as a result, reduced the entry barriers to allow private capital entering the consumer finance sector. Benefiting from the government support, the consumer finance industry experienced rapid growth but manifested a series of social issues including lending practice targeting college students, personal privacy intrusion and excessive interest rate charge.

Due to the relatively brief history of the online consumer finance industry in China, the regulatory framework governing online consumer finance industry has not developed comprehensively and is constantly evolving. Adopting a more stringent regulatory environment for the fast-growing Internet finance industry has been on the government's agenda since 2015, prior to which the PRC government had relied on general and basic laws and related judicial interpretation in governing the online consumer finance industry. On July 18, 2015, the PBOC, together with nine other PRC regulatory authorities jointly issued the Guidelines on Promoting the Healthy Development of Online Finance Industry, which formally introduced for the first time the regulatory framework and basic principles for regulating the online marketplace lending service in China. In August 2016, the CBRC introduced a new set of rules to tighten the regulation of the marketplace lending industry and emphasized online marketplace lending platforms' role as information service intermediaries. Specifically, online lending information service intermediaries are required to complete registration with local financial regulatory authority and apply for appropriate telecommunication business license. Intermediaries conducting P2P lending information services should rectify any non-compliance within a period of not exceeding six months from the date of issuance of guideline circulated in August 2016.

On December 1, 2017, PBOC and CBRC jointly issued the *Notice on Regulating and Rectifying the "Cash Loan"* ("Circular 141") to regulate the cash loan market, micro loan companies, banks and marketplace lending platforms. Marketplace lending platforms in cash loans are prohibited from deducting any loan interest or service fees from a loan principal in advance and charging an APR higher than 36%. They are also prohibited from matching funding from banks to borrowers and from outsourcing the core functions including information collection and risk management to third parties. In addition, lending to no-income borrowers is not allowed and upper limits for maximum credit line and number of times for loan extension are set. For more details, see "Regulatory Environment — Regulations Relating to Online Customer Finance Services."

The impact of Circular 141 on existing consumer finance players vary based on their current business models. According to the Oliver Wyman Report, such tightening of regulation is likely to cause a shake-up in the industry in the short run, and will force many platforms with questionable operations to be out of business or force consolidation within the industry. However, for those with high-quality operations, it would be a matter of procedures to ensure compliance. This consolidation will provide larger established players the opportunity to cement their market presence and the overall impact would be positive in the long run, supporting better and healthier future growths.

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### ONLINE INVESTMENT

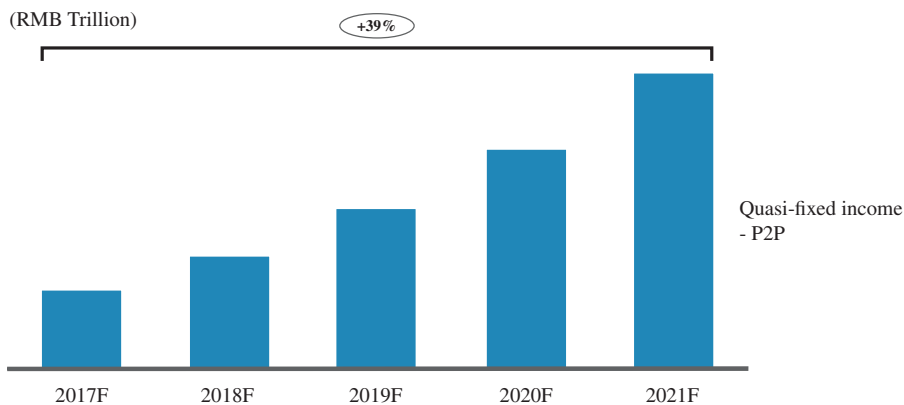
#### Characteristics of Online Investment Market

Compared with mature markets, China's investment market is still in an early stage of development. Traditional financial institutions, who are the dominating players in this field, typically require retail investors to go through cumbersome procedures including time-consuming application, physical site visit and face-to-face contract signing. Non-traditional online platforms are able to deliver superior user experience with convenient access to investment services, more diversified product offerings and competitive price benchmarks as compared to traditional channels.

According to the Oliver Wyman Report, the assets under management ("AUM") of overall primary investment market is expected to grow from RMB44.4 trillion in 2017 to RMB84.0 trillion in 2021 with a CAGR of 17.3% and the proportion of non-traditional financial institutions providing investment services is expected to grow from 12.9% in 2017 and 18.3% in 2021.

Notably, the fastest growing market segment is the online non-traditional financial institutions investment market. According to the Oliver Wyman Report, the AUM of online non-traditional financial institutions in the primary investment market in China is expected to grow from RMB3.2 trillion in 2017 to RMB10.6 trillion in 2021 at a CAGR of 34.9 %. In particular, the AUM of P2P products is expected to grow from RMB1.2 trillion in 2017 to RMB4.4 trillion in 2021 at a CAGR of 38.4%. The following table sets forth the AUM of P2P products from 2017 to 2021:

**AUM of P2P Products**



Source: CBRC, Wangdaizhijia, Oliver Wyman analysis

#### Growth Drivers of Online Investment Market

Several major factors have contributed to the prosperity and market potential of online investment market. First, China has seen a growing investor base with higher levels of disposable income and financial literacy who are seeking for attractive opportunities to invest. Second, the growing penetration of mobile internet in China has nurtured a larger group of affluent investors who are getting more active in online investment activities. Third, the cost and efficiency advantages of online investment, which increase the investment returns by eliminating costs associated with many

## INDUSTRY OVERVIEW

layers of intermediaries, such as commission-based sales force and agents, in traditional investment model and streamline the often time-consuming investment process by utilizing the mobile Apps to save the time and energy required to complete the investment process, neatly captures the needs of mass affluent investors, making them more accustomed to and reliant on this new model. According to the Oliver Wyman Report, new entrants of online investment market face major entry barriers include maintaining low cost to attract investors to their platforms and obtaining relevant licenses to conduct online investment business. The online investment market is highly fragmented. The following chart sets forth the top 15 market players in the online investment market in terms of transaction volume in 2017.

| Player                | Rank <sup>(1)</sup> | Market share |
|-----------------------|---------------------|--------------|
| Company E. . . . .    | 1                   | 5%           |
| Company F. . . . .    | 2                   | 4%           |
| Company G. . . . .    | 3                   | 3%           |
| Company H. . . . .    | 4                   | 2%           |
| Company I. . . . .    | 5                   | 2%           |
| Company J. . . . .    | 6                   | 2%           |
| Company K. . . . .    | 7                   | 2%           |
| Company L. . . . .    | 8                   | 2%           |
| Company M. . . . .    | 9                   | 2%           |
| Company N. . . . .    | 10                  | 1%           |
| Company O. . . . .    | 11                  | 1%           |
| Company P. . . . .    | 12                  | 1%           |
| Our Company . . . . . | 13                  | 1%           |
| Company Q. . . . .    | 14                  | 1%           |
| Company R. . . . .    | 15                  | 1%           |

(1) Based on total transaction volume in 2017.

Source: Wangdaizhijia, Company website disclosure, Oliver Wyman analysis and estimate

## PERSONAL CREDIT MANAGEMENT ORIENTED ECOSYSTEMS

### Characteristics of Personal Credit Management Oriented Ecosystems

The synergy between online consumer finance and online investment have led to the rapid emergence of P2P platforms that connect funding and borrowing. Synergies also exist between personal credit management and online consumer finance, between personal credit management and online investment and between personal credit management and credit card application, enabling a credit management platform to develop into an ecosystem, which is defined to have personal credit management functions along with financial service capabilities in consumer finance and investment.

Users acquired from personal credit management platforms are of higher quality than customers directly acquired through the online consumer finance and online investment platforms. Such users are naturally financially active and tend to have more financial demands to fulfill their needs. Therefore, personal credit management platforms provide a natural customer base and customer data in credit approval process for consumer finance products.

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As users of online personal credit management platforms are naturally financially active and care about their personal financial situation, they also need to fulfill the need for investment and wealth accumulation. Online personal credit management platform provides an active user base for cross-selling online investment products, especially the opportunity to invest in personal credit portfolios. For example, users can repay credit card loans with balance in online investment platforms and choose to transfer funds into investment platform when they have more disposable income.

With the development of a personal credit management tool into the ecosystem, many platforms have combined a variety of financial products and services, including credit card bill management and repayment, management of home mortgage, automobile loans and utilities bills, credit card application, consumer finance and investment products. As a result, users can conveniently fulfill their differentiated and evolving financial needs on this one-stop platform. Furthermore, if the customer uses the same credit management platform to manage his or her credit cards, loans and assets, the platform would be able to aggregate the data available within its ecosystem and provide a consolidated overview of the user's financial status, allowing the user to make more informed financial decisions.

### **Key Success Factors for Personal Credit Management Oriented Ecosystems**

#### ***Large and sticky active user base with high customer quality and low acquisition cost***

Having a large and active user base allowing for user conversion is a major differentiator and platforms should continuously improve the services provided to increase stickiness of users. Moreover, the quality of users is also of great importance. Users with high credit performance and have high willingness to manage credit will enable multiple monetization options and allow for fast accumulation of valuable data. Additionally, low acquisition cost and high conversion of users are also key contributors to the monetization of such ecosystems.

#### ***Utilization of synergies among ecosystem components***

It is critical to create and utilize synergies among different ecosystem components to create unique comprehensive financial scenarios and monetize the user flow from credit management platform. Successful players identify and predict users' financial needs and build an ecosystem with synergies and advanced monetization capabilities by providing interconnected services to satisfy different financial needs of users.

#### ***Proprietary and comprehensive product offerings***

Having a comprehensive set of offerings, with the combination of proprietary in-house products and complementary third-party products, is essential to attract and retain a massive number of users and to deliver personalized financial services tailoring to users' evolving needs.

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### *Ability to accumulate and utilize a wealth of valuable and credible consumption and credit data*

With a vast amount of data accumulated daily in the rise of the internet economy, the real differentiator in evaluating credit management oriented ecosystems shifts from quantity to quality. Top players in this field not only possess a robust database with user's consumption data and credit data accumulated from credit management platform for years, they are also capable to utilize data to develop advanced risk assessment and management systems and further unlock monetization channels such as data provision and licensing the technology-enabled risk management system.

### *Strong technological capabilities*

Technology is the key driving force behind the success of every top financial ecosystem players and its effect is enhancing user experience and customizing product offerings. Having strong front-end and back-end application development capabilities is the prerequisite for building a user-friendly platform with better speed and accuracy. Furthermore, strong data processing and analytics capabilities are essential in extracting and utilizing a vast amount of data, and designing diversified products to serve a full spectrum of financial needs.

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## REGULATORY ENVIRONMENT

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This section sets forth a summary of the most significant laws, rules and regulations that affect our business activities in the PRC and our shareholders' rights to receive dividends and other distributions from us.

### **Regulations Relating to Online Consumer Finance Services**

Due to the relatively brief history of the online consumer finance industry in China, the regulatory framework governing our industry has not developed comprehensively. Even though few specific regulations on online consumer finance industry have been issued in the past two years, detailed guidance and interpretation has yet to be promulgated by the regulators.

### **Regulations on Online Lending Information Services**

#### ***Guidelines***

On July 18, 2015, the Guidelines for Promoting the Healthy Development of Internet Finance (《關於促進互聯網金融健康發展的指導意見》), or the Guidelines, were promulgated by ten PRC regulatory agencies, including the PBOC, the MIIT and the CBRC. The Guidelines define online Peer-to-Peer (or P2P) lending as direct loans between individuals through an online platform, which is under the supervision of the CBRC, and governed by the PRC Contract Law, the General Principles of the Civil Law of the PRC, and related judicial interpretations promulgated by the Supreme People's Court. Pursuant to the Guidelines, a company that provides online lending information services shall make it clear its nature of being an information intermediary and provide information services rather than provide credit enhancement services or engage in illegal fund-raising, which further requires such company to separate funds of the borrowers and the investors from its own funds.

#### ***Rectification Plans Related to Internet Financial Risks***

On April 12, 2016, the General Office of the State Council issued the Notice of General Office of the State Council on the Promulgation of Implementation Plan for Special Rectification of Internet Financial Risks (《關於印發<互聯網金融風險專項整治工作實施方案>的通知》), which emphasizes that P2P platforms shall specify their nature as information intermediaries and can never engage in certain activities, including but not limited to, setting up capital pool, extending loans and illegal fund raising. In addition, without approval from competent regulator, P2P platforms shall not engage in financial business activities such as asset management, debt or equity transfer, and high-risk allocation in security markets. Furthermore, P2P platforms are required to segregate assets of lenders and borrowers in qualified banks as depositary institutions from their own assets. Then PBOC, CBRC, China Securities Regulatory Commission, China Insurance Regulatory Commission and the State Administration for Industry and Commerce jointly conducted a thorough review to identify and rectify the illegal practices in the Internet finance industry, with an aim to promote the standardized and orderly development of Internet finance. All levels of government shall establish a group for the implementation and rectification plan, appoint the person in charge of finance affairs as the group leader, and organize the special rectification work in the region.

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## REGULATORY ENVIRONMENT

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On April 13, 2016, the CBRC and 14 other bureaus, departments and institutions issued the Notice on Issuing the Implementation Plan for Specific Rectification on Risks in P2P Lending (《關於印發P2P網絡借貸風險專項整治工作實施方案的通知》). By categorizing the market players based on their different levels of legal compliance, the CBRC started to regulate the online P2P lending service industry.

On June 16, 2016, the General Office of the People's Government of Zhejiang Province issued the Circular on Printing and Distributing the Execution Plan of Zhejiang Province Rectification Activity Addressing Internet Finance-related Risks (《關於印發<浙江省互聯網金融風險專項整治工作實施方案>的通知》), specifying detailed organization and steps for the rectification addressing Internet finance-related risks in Zhejiang Province.

### *Interim Measures*

On August 17, 2016, CBRC, MIIT, Ministry of Public Security and the State Office of Internet Information jointly issued the Interim Measures on the Management of Business Operations of Online Lending Information Intermediaries (《網絡借貸信息中介機構業務活動管理暫行辦法》) or the Interim Measures. The Interim Measures provides for detailed implementation rules for the regulatory principles set out in the Guiding Opinion. The Interim Measures also define the online lending information service providers as financial information intermediaries.

Pursuant to the Interim Measures, online lending information service providers shall complete registration with local financial regulatory authority and apply for appropriate telecommunication business license in accordance with relevant rules issued by competent telecommunication authority. The Interim Measures also require the online lending information service providers to substantially cover “online lending information intermediary” in its business scope filed with the local registration regulatory authority.

According to the Interim Measures, online lending information service providers shall not engage in or accept entrustment to engage in certain activities, including, (i) financing their own operations with the funds of lenders; (ii) accepting or collecting directly or indirectly the funds of lenders; (iii) providing lenders with a guarantee or promise to guarantee principal and interest thereon directly or in disguised form; (iv) publicizing or promoting financing projects by themselves or by delegating or authorizing a third party at physical places other than by electronic means such as the Internet, landlines, mobiles etc.; (v) extending loans, except otherwise provided by applicable laws and regulations; (vi) splitting the term of any financing project; (vii) offering wealth management and other financial products by themselves to raise funds, and selling as agent bank wealth management, securities company asset management, fund, insurance or trust products and other financial products; (viii) conducting asset securitization business or transferring of creditors' rights in the forms of assets packaging, asset securitization, trust asset, fund shares etc.; (ix) engaging in any form of mixture, bundling or agency with other institutions in investment, agency in sale, brokerage and other business except as permitted by laws, regulations and relevant regulatory provisions on online lending; (x) falsifying or exaggerating the truthfulness and earnings outlook of financing projects, concealing the defects and risks of financing projects, making false advertising or promotion, etc. by using ambiguous words or other fraudulent means, fabricating or spreading false or incomplete information, impairing the business reputation of others or misleading lender or borrowers; (xi) providing



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information intermediary services for the high-risk financing with the borrowed funds to be used for investment in stocks, over-the-counter fund distribution, futures contracts, structured funds and other derivative products; (xii) engaging in a business such as crowd-funding in equity; and (xiii) other activities prohibited by laws and regulations.

The Interim Measures require that online lending information service providers shall restrict the maximum balance of fund borrowed by the same borrower on the same online lending information intermediary platform as well as on several such online lending information intermediary platforms so as to prevent credit concentration risks. The maximum balance of fund borrowed by any individual on the same online lending information intermediary lending platform shall be RMB200,000, and the maximum total balance of the fund borrowed by the same individual on several lending information intermediary platforms shall be RMB1,000,000. The maximum balance of fund borrowed by any entity or other kind of organization on the same online lending information intermediary platform shall be RMB1,000,000, and the aggregate maximum total balance of fund borrowed by any entity or other kind of organization on all online lending information intermediary platforms shall be RMB5,000,000.

For the protection of investors and borrowers, the Interim Measures require that online lending information intermediary institutions (i) separate their own capital from funds received from lenders and borrowers and (ii) select a qualified banking financial institution as their funding depository institution, which shall perform depository and administration responsibilities as required. In addition, the Interim Measures provide for other miscellaneous requirements for online lending information intermediary institutions, including but not limited to, risk assessment and disclosure, auditing and authentication, industry association, reporting obligations, information security and disclosure and legal liabilities.

With respect to the online lending information intermediary platforms established prior to the implementation of the Interim Measures, provided that such platforms have not been in compliance with the applicable requirements of the Interim Measures, the competent local financial regulatory department would require such platforms to make correction or rectification within a 12-month transition period specified by the Interim Measures.

Pursuant to the Interim Measures, if an online lending information service provider violates any applicable laws, regulations or relevant regulatory provisions relating to online lending information services, sanctions could be imposed by the local financial regulatory departments or other relevant regulatory departments, including, among others, supervision interviews, regulatory warning, correction order, condemnation, credit record modification, fine up to RMB30,000, and criminal liabilities if the act constitutes a criminal offense.

In accordance with the Guidelines and the Interim Measures, the CBRC, the MIIT and the State Administration for Industry and Commerce jointly issued the Circular on Printing and Distributing the Guidelines on the Filing-based Administration of the Online Lending Information Intermediaries (《關於印發〈網絡借貸信息仲介機構備案登記管理指引〉的通知》) On November 28, 2016, setting out detailed rules on the filing-based administrative regime of online lending information intermediaries that require local financial regulators to register, publicize and archive the basic information of online lending information intermediaries within their respective jurisdictions.

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### *Custodian Guidelines*

In accordance with the Guidelines and the Interim Measures, the CBRC issued the Circular on Printing and Distributing the Guidelines on the Administration of Online Lending Funds-related Custody Services (《關於印發〈網絡借貸資金存管業務指引〉的通知》), or the Custodian Guidelines on February 22, 2017. The Custodian Guidelines further clarifies the custodian requirement for the funds of investors and borrowers held by online lending information service providers. The Custodian Guidelines specifies that an online lending information service provider may only designate one qualified commercial bank as its fund custodian institution for the funds of investors and borrowers held by it, and further clarifies detailed requirements and procedures for setting up custody accounts with commercial banks. To the extent that the relevant online lending information service providers and commercial banks are not in full compliance with the Custodian Guidelines, they are required to make correction or rectification within a six-month rectification period specified by the Custodian Guidelines.

### *Disclosure Guidelines*

In accordance with the Guidelines and the Interim Measures, the CBRC further issued the Circular on Printing and Distributing the Guidelines on Information Disclosure of Business Activities of the Peer-to-Peer Lending Information Intermediaries (《關於印發〈網絡借貸信息仲介機構業務活動信息披露指引〉的通知》), or the Disclosure Guidelines, on August 23, 2017. The Disclosure Guidelines further clarified the disclosure requirements for online lending information service providers. Pursuant to the Disclosure Guidelines, online lending information service providers should disclose certain informations on their websites and all other internet channels, including mobile applications, WeChat official accounts or Weibo, including, among others (i) the record-filing and registration information, the organization information, the examination and verification information, and transaction related information, including transactions matched through the online lending information service providers for the previous month, all of which shall be disclosed to the public; (ii) the basic information of the borrowers and the loans, the risk assessment of such loans, and the information of the outstanding transactions matched, all of which shall be disclosed to the investors; and (iii) any event that would result in a material adverse effect to the operations of online lending information providers, which shall be disclosed to the public within 48 hours upon occurrence. The Disclosure Guidelines also require online lending information service providers to record all the disclosed information and retain such information for no less than five years from the date of the disclosure. To the extent that the relevant online lending information service providers are not in full compliance with the Disclosure Guidelines, they are required to make correction or rectification within a six-month rectification period starting from the date the Disclosure Guidelines was issued.

### *Circular 141*

On December 1, 2017, the Head Office for Special Rectification of Online Finance Risk and Head Office for Special Rectification of Peer-to-Peer Online Lending jointly issued the Notice on Standardization and Rectification of Cash Loans Business (《關於規範整頓「現金貸」業務的通知》(整治辦函[2017]141號)) (the “Circular 141”). The Circular 141 further regulates that information intermediaries for online P2P lending: (i) shall not match borrowing with lending to realize direct lending on the interest rates that did not comply with relevant laws and provisions; shall not deduct

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the interest, commission fee, management fee or margin from the principal or setting high overdue interest, overdue fine, penalty interest, etc; (ii) shall not outsource core business including customers information collection , customers identifying and screening, credit assessing and opening accounts for customers etc; (iii) shall not match banking financial institutions for involving in P2P online lending business; and (iv) shall not provide online lending services for students or borrowers who are not capable of repayment in the scope of their marketing efforts, shall not provide online lending services for property down payment loans, and shall not provide online lending services for borrowing without specified purpose. Furthermore, the Circular 141 prohibited the small-amount lending corporations from raising money through information intermediaries for online lending.

### *Circular 57*

On December 8, 2017, the Head Office for Special Rectification of Peer-to-Peer Online Lending released Notice on The Improvement and Acceptance of the Peer-to-Peer Online Lending Risk (《關於做好P2P網絡借貸風險專項整治整改驗收工作的通知》) (the “Circular 57”). The Circular 57 requires local financial regulator, local CBRC, the People’s Bank local branch, local public security, local communication administrative department and local AIC should jointly inspect and accept whether an internet lending information intermediary comply with the Interim Measures. The online lending information intermediary can only be filed records (“P2P Filing”) with the local financial regulator after receiving acceptance certificate or document issued jointly by local financial regulator and local CBRC. Normally, the P2P Filing should be completed before April 2018 according to the Circular 57, which means our Company must acquire the acceptance certificate or document from local financial regulator and local CBRC before April, 2018. The Circular 57 forbidden four credit assignment models, including: (i) providing asset securitization services or transfer creditor’s rights in form of packaged assets, securitized assets, trust assets or fund shares; (ii) credit transferred from related individual party of the P2P company to the lender, the lending money normally from online lending information intermediaries or their related parties; (iii) current wealth management products and regular wealth management products related credit assignment products; and (iv) using credit right from the peer-to-peer lending platform as a pledge to borrow money from other lenders. The Circular 57 further requires that online lending intermediaries set up custody accounts with qualified banks that have passed certain testing and evaluation procedures run by the National Online Lending Rectification Office to hold customer funds. The Circular 57 requires that the online lending information intermediaries to discontinue to set aside additional fund as risk reserve funds or originate new risk reserve funds. In addition, the existing balance of risk reserve fund shall be gradually reduced.

In July 2017, the Financial Affairs Office of the People’s Government of Hangzhou Xihu District (the “**District Finance Office**”) conducted an on-site inspection of the Group and issued the Notice of Rectification Actions under Rectification Activity Addressing Internet Finance-related Risks (《互聯網金融風險專項整治整改通知書》). The key findings of such inspection and our corresponding rectification measures are summarized in the following chart. As of the Latest Practicable Date, PRC regulatory authorities did not have further comments on our rectification measures set forth in our rectification reports and our implementation of such measures, nor did they require us to take any further rectification actions.

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The key inspection findings are summarized as follows.

| Key Issues and Recommendation                                                                                                                                                                                             | Our Major Rectification Measures                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Include online lending information intermediary in the business scope of the our business licenses.</li> </ul>                                                                   | <ul style="list-style-type: none"> <li>• We have updated our business licenses and successfully included online lending information intermediary in our business scope.</li> </ul>                                                                                                                                                          |
| <ul style="list-style-type: none"> <li>• Engage independent third-party intermediaries to appraise the status of fund custody, information disclosure and operation compliance.</li> </ul>                                | <ul style="list-style-type: none"> <li>• We have hired an accounting firm and law firm to assess the status of fund custody, information disclosure and operation compliance. We are paying close attention to compliance requirement in our daily operation.</li> </ul>                                                                    |
| <ul style="list-style-type: none"> <li>• Assess investors' risk appetite and risk tolerance and recommend them with different categories of loan products.</li> </ul>                                                     | <ul style="list-style-type: none"> <li>• We have set up the risk appetite evaluation model for our investors, who will be assigned into one of the following three categories: "conservative", "stable" and "aggressive". We recommend different loan products to investors based on their level of risk appetite and tolerance.</li> </ul> |
| <ul style="list-style-type: none"> <li>• Alert investors on investment risks in a distinct manner and specifically disclose applicable laws and regulations on online lending business on our Apps and website</li> </ul> | <ul style="list-style-type: none"> <li>• We have set up "Investor Education Column" in "Help Center" of our Apps to educate our users on risks in connection with online investment and regulatory policies regarding online loan and investment.</li> </ul>                                                                                |
| <ul style="list-style-type: none"> <li>• Set up a custody account with a qualified financial institution to deposit, manage and segregate users' funds from our own funds.</li> </ul>                                     | <ul style="list-style-type: none"> <li>• We have set up a custody account with Bank of Beijing to hold our users' fund in December 2017. Bank of Beijing provides us with fund custody services including custody, settlement and accounting services.</li> </ul>                                                                           |

We have taken various measures to comply with the Interim Measures, the Custodian Guidelines, the Circular 141, the Circular 57 and other laws and regulations that are applicable to our business operations. As advised by our PRC Legal Advisor, we comply with these laws and regulations in all material aspects. However, given that detailed regulations and guidance in the area of online lending information services are yet to be promulgated, 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 "Risk Factors—Risks Relating to Our Business and Industry—The laws and regulations governing the online consumer finance and micro-lending industries in China are evolving and subject to

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changes. If our online credit facilitation and investment service business is deemed to violate any PRC laws or regulations, or we fail to obtain any necessary approvals, licenses and permits and to make any necessary registrations and filings for our credit facilitation services, our business, financial conditions and results of operations would be materially and adversely affected.”

### **Regulations on Loans between Individuals**

The PRC Contract Law confirms the validity of loan agreement between individuals and provides that a loan agreement becomes effective when an individual lender provides loan to an individual borrower provided that the interest rates charged under the loan agreement do not violate the applicable provisions of the PRC laws and regulations.

### ***Private Lending Judicial Interpretations***

In accordance with the Provisions on Several Issues Concerning Laws Applicable to Trials of Private Lending Cases issued by the Supreme People’s Court on August 6, 2015, or the Private Lending Judicial Interpretations, which came into effect on September 1, 2015, private lending is defined as financing between individuals, legal entities and other organizations. Loans funded by financial institutions which are licensed by financial regulatory authorities are not private lending transactions. When private loans between individuals are paid by wire transfer, the loan contracts between individuals came into effect upon the deposit of funds to the borrower’s account. If either the lender or the borrower is not a natural person, the loan contracts become applicable effective upon execution of the loan contract, unless otherwise agreed by the parties or otherwise provided by laws and administrative regulations. In the event that the loans are made through an online consumer finance lending platform and the platform only provides intermediary services, the courts will dismiss the claims of the parties concerned against the platform demanding the repayment of loans by the platform as guarantors. However, if the online consumer finance service provider guarantees repayment of the loans as evidenced by its web page, advertisements or other media, or the court is provided with other proof, the lender’s claim alleging that the online consumer service provider assumes the obligations of a guarantor will be upheld by the courts.

The Private Lending Judicial Interpretations also provide that agreements between lenders and borrowers on loans with interest rates below 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. The interest rates of all our loan products are below 36% and certain loans financed by our investment programs have interest rates that exceed 24%. In addition, on August 4, 2017, the Supreme People’s Court issued the Circular of Several Suggestions on Further Strengthening the Judicial Practice Regarding Financial Cases, which provides, among others, that (i) the claim of the borrower under a financial loan agreement to adjust or cut down the part of interest exceeding 24% per annum on the basis that the aggregate amount of interest, compound interest, default interest,

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liquidated damages and other fees collectively claimed by the lender is overly high shall be supported by the PRC courts; and (ii) in the context of Internet finance disputes, if the online lending information intermediary platforms and the lender circumvent the upper limit of the judicially protected interest rate by charging intermediary fee, it shall be determined as invalid.

The Circular 141 further stipulates that the comprehensive cost of funds collected by various institutions in the form of interest rates and various fees shall comply with the provisions of the Supreme People's Court on interest rates of private loans; and the Circular 141 also prohibits the issuance or facilitation of loans that violate the provisions on the cap on rates.

Pursuant 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》), which governs the disputes involving private loans, PRC courts shall uphold any interest rate agreed between the borrower and the lender if the annual interest rate under the agreement is below 24%. If the annualized interest rate agreed exceeds 36%, the agreed interest amount in excess of a 36% annualized interest rate shall be invalid. Where the borrower requests the lender to return the part of interest exceeding 36% of the annualized interest that has been paid, PRC courts shall uphold such request.

Accordingly, the Company's PRC legal advisers are of the view that the comprehensive cost of funds collected in the form of interest rates and various fees shall not exceed 36% per annum under Circular 141.

See "Risk Factors—Risks Relating to Our Business and Industry—The credit facilitation service fees we charge borrowers 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."

### ***PRC Contract Law***

In addition, pursuant to the PRC Contract Law, a creditor may assign its rights under an agreement to a third party, provided that the debtor is notified. Upon due assignment of the creditor's rights, the assignee is entitled to the creditor's rights and the debtor must perform the relevant obligations under the agreement for the benefit of the assignee. We also allow investors to transfer the loans they hold to other investors before the loan reaches maturity. In addition, according to the PRC Contract Law, an intermediation contract is a contract whereby an intermediary presents to its client an opportunity for entering into a contract or provides the client with other intermediary services in connection with the conclusion of a contract, and the client pays the intermediary service fees. Our business practice of connecting our institutional funding partners and other investors, with individual borrowers may constitute intermediary service, and our service agreements with borrowers and investors may be deemed as intermediation contracts under the PRC Contract Law. Pursuant to the PRC Contract Law, an intermediary must provide true information relating to the proposed contract. If an intermediary conceals any material fact intentionally or provides false information in connection with the conclusion of the proposed contract, which results in harm to the client's interests, the intermediary may not claim for service fees and is liable for the damages caused.



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### **Regulations on Illegal Fund-Raising**

The Measures for the Banning of Illegal Financial Institutions and Illegal Financial Business Operations promulgated by the State Council in July 1998, and the Notice on Relevant Issues Concerning the Penalty on Illegal Fund-Raising issued by the General Office of the State Council in July 2007, explicitly prohibit illegal public fund-raising. In addition, the Interim Measures and the Custodian Guidelines purport, among other things, to require each online lending information service provider to separate its own funds from the funds of investors and borrowers, choose one qualified commercial bank as the fund depository institutions for the funds of lenders and borrowers, and limit the maximum amount of the loan borrowed by one person. According to the Custodian Guidelines, online lending information service providers are further required to review and verify the records and information of their custody accounts with its fund custodian institution on a daily basis.

We act as a platform for borrowers and investors and are not a party to the loans facilitated through our marketplace. We rely on third-party payment platforms in handling funds transfer and settlement. We entered into a custody account arrangement with Bank of Beijing, whereby funds of borrowers, individual investors and certain institutional investors are deposited into and settled by custody accounts under its management. See “Risk Factors—Risks Relating to Our Business and Industry—The laws and regulations governing the online consumer finance and micro-lending industries in China are evolving and subject to changes”. If our online credit facilitation and investment service business is deemed to violate any PRC laws or regulations, or we fail to obtain any necessary approvals, licenses and permits and to make any necessary registrations and filings for our credit facilitation services, our business, financial conditions and results of operations would be materially and adversely affected.”

### **Regulations on Anti-money Laundering**

The PRC Anti-money Laundering Law, or the AML Law, promulgated by the PBOC on October 31, 2006 and effective since January 2007, stipulates that special non-financial institutions which are required by relevant regulations to perform obligations of anti-money laundering shall comply with the anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment of various systems for client identification, retention of clients’ identification information and transactions records, and reports on large transactions and suspicious transactions. The PBOC and other governmental authorities issued a series of administrative rules and regulations to specify the anti-money laundering obligations of financial institutions and special non-financial institutions.

Furthermore, the Guidelines, the Interim Measures and the Custodian Guidelines require online lending information service providers to comply with certain anti-money laundering requirements, including the establishment of a customer identification program, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to the public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters.



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While we have formulated policies and procedures, including internal controls and “know-your-customer” procedures, aimed at preventing money laundering and terrorism financing, we cannot assure you that we will be able to establish and maintain anti-money laundering policies and procedures which can effectively protect our marketplace from being exploited for money laundering or terrorism financing purposes, or that such policies and procedures, will be deemed to be fully in compliance with all applicable anti-money laundering laws and regulations, including the Interim Measures. See “Risk Factors—Risks Relating to Our Business and Industry—Any failure by us, institutional funding partners or payment agents to comply with applicable anti-money laundering and anti-terrorist financing laws and regulations could damage our reputation, expose us to significant penalties, and decrease our revenues and profitability.”

### **Regulations Relating to Micro Loan Companies**

#### ***Guidelines on Micro Loan Companies***

Under the Guidelines of the China Banking Regulatory Commission and the People’s Bank of China on the Pilot Operation of Micro Loan Companies which was promulgated by the CBRC and the PBOC on May 4, 2008, or the Guidelines on Micro Loan Companies, a micro loan company is a company which is specialized in operating a micro loan business, established with investments from natural persons, legal-person enterprises or other social organizations, and does not accept any public deposits. Currently there is no regulatory authority at the national level with respect to the administration and supervision of micro loan companies in the PRC. On August 12, 2015, the Legislative Affairs Office of the State Council announced the Non-deposit Lending Organization Regulation (draft for comments), which requires companies, including online companies, providing inter-provincial loans to obtain prior approvals from local authorities before carrying out business operations in a certain area.

Pursuant to the Guidelines on Micro Loan Companies, if a provincial government determines a competent department (office of finance or relevant organizations) to be responsible for the supervision and administration of micro loan companies and the regulation of risks associated with micro loan companies, such provincial government may carry out the pilot operation of micro loan companies within such province. The applicant is required to file an application with the competent department of the provincial government to apply for setting up a micro loan company. The major sources of funds of a micro loan company are required be the capital paid by shareholders, donated capital and the capital borrowed from a maximum of two banking financial institutions. Furthermore, the balance of the capital borrowed from banking financial institutions within the scope as prescribed by applicable laws and regulations cannot exceed 50% of the net capital, and the interest rate and term of the borrowed capital is required to be determined by the company with the banking financial institutions upon consultation, and the interest rate on the borrowed capital is required to be determined by taking the Shanghai Inter-bank Offered Rate as the base rate. When granting credit, micro loan companies are required to adhere to the principle of “small sum and decentralization.” They are encouraged to provide credit services for farmers and mini-size enterprises and make greater efforts in increasing their number of clients and enlarging the coverage of services. The outstanding amount of credit granted by a micro loan company to a same borrower cannot exceed 5% of the net capital of the company. Micro loan companies are required to operate on the market-oriented principle. The interest ceiling is floating but cannot exceed the ceiling prescribed by the judicatory authority,

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and the interest floor is required to be 0.9 times the base interest rate published by the PBOC. The specific floating range is required to be determined independently according to the market principles. In addition, according to the Guidelines on Micro Loan Companies, micro loan companies are required to establish and improve the corporate governance structure, the loan management system, the enterprise financial accounting system, a prudent and normative asset classification system and provision system for accurate asset classification and adequate provision of bad debt reserves as well as the information disclosure system and are required to accept public scrutiny and cannot carry out illegal fund-raising in any form.

The “private lending” in the Private Lending Judicial Interpretations means financing among natural persons, legal persons and other organizations. Therefore the micro loan businesses are subject to the following rules: (i) the interest on the loans with interest rates up to 24% per annum is valid and enforceable; (ii) 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; and (iii) if the annual interest rate of a private loan is higher than 36%, the excess will not be enforced by the courts.

### *Rules on the Administration of Micro Loan Companies in Jiangxi Province*

Government authorities in Jiangxi Province where our online micro loan company Fuzhou Network Micro Credit Company is incorporated have issued a series of rules on the administration of micro loan companies incorporated within Jiangxi Province. Pursuant to the Measures of Jiangxi Province for Supervision on Micro Loan Companies (Pilot Scheme) which was promulgated by the Jiangxi Provincial Finance Office on March 22, 2012 and effective as of April 1, 2012, the finance offices of the province and various municipalities are responsible for the supervision and administration of micro loan companies incorporated in Jiangxi. The micro loan companies are required to comply with various requirements including, among others, prohibition from acquiring the public deposits, restrictions that funds obtained from banking financial institutions cannot exceed a specified proportion and the number of cooperating banking financial institutions cannot exceed two, and 100% asset loss reserve adequacy rate.

In particular, as to supervision of online micro loan, Jiangxi Provincial Finance Office, as competent supervising authority together with the finance offices in various municipalities and counties in Jiangxi for the supervision and administration of online micro loan companies incorporated in Jiangxi, promulgated the Measures of Jiangxi Province for Supervision on Online Micro Loan Companies (Pilot Scheme) on September 5, 2016, which allow online micro loan companies incorporated in Jiangxi Province to operate online micro loan businesses subject to certain requirements including but not limited to: (i) the business scope of an online micro loan company is required to be the conduct of online micro loan business via online platform and the conduct of offline micro loan and equity investment business in the county where it is incorporated and surrounding counties within the corresponding municipality, (ii) the operating capital of such business should not be lower than 70% of the total operation capital, (iii) the total amount of funds raised from third parties by an online micro loan companies cannot exceed two times of its net capital, (iv) an online micro loan company is prohibited from raising funds from Internet platforms, and (v) the interest rate for loans funded by an online micro loan company shall comply with the restrictions on interest rate

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as specified in applicable laws and regulations, which we understand shall include the restriction on interest rate as specified in the Private Lending Judicial Interpretations, that if the annual interest rate is higher than 36%, the excess will be void and will not be enforced by the courts. On January 3, 2017, Jiangxi Provincial Finance Office promulgated the Notice on Adjusting and Supplementing the Measures of Jiangxi Province for Supervision on Online Micro Loan Companies (Pilot Scheme), or the Supplemental Notice, which provides further requirements on online micro loan companies incorporated in Jiangxi Province to operate online micro loan businesses, including: (i) since the promulgation date of the Supplemental Notice, the establishment and modification of the online micro loan companies and the extension of business scope of a micro loan company to include online micro loan business shall be approved by the Jiangxi Provincial Finance Office, rather than the financial offices in municipalities, and the financial offices in municipalities and counties shall be responsible for the preliminary review for such approval, (ii) the minimum register capital for an online micro loan company is RMB500 million, (iii) to conduct strict control over the establishment of, or holding equity of online micro loan companies by internet financial companies, (iv) one person or entity may only establish or hold equity of only one online micro loan company within Jiangxi Province.

### *The Notice No. 138*

On November 21, 2017, the Office of the Leading Group for the Special Campaign against Internet Financial Risks issued the notice regarding the suspension of the approval of online micro loan companies (《關於立即暫停批設網絡小額貸款公司的通知》) (the “The Notice No. 138”). It requires the regulatory authorities of micro loan lenders to suspend the approval of establishment of any new online (internet) micro loan lenders; and suspend the approval of new micro loan business across provinces (autonomous regions or municipalities) to be developed by micro loan-lenders. If the approval of preparation to establish the online (internet) micro loan lenders has been given, the business commencement shall be suspended. The Circular 141 reiterates the same requirement.

### *Circular 56*

On December 8, 2017, the Office of the Leading Group for the Special Campaign against Peer-to-peer Lending Risks released Notice on Issuing the Implementation Plan for Specific Rectification on Risks in Online Micro Loan Lending Conducted by Micro Loan 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通知》) (the “Circular 56”). The Notice No. 56 reiterates the principles mentioned in the Circular 141, which among other things, prohibits micro loan lenders from illegal raising or pooling of deposits from the general public in any form, or to raise funds through any online lending information intermediaries.

Fuzhou Micro Credit has obtained the approval to operate micro loan businesses as issued by the competent supervising authority, which allows Fuzhou Micro Credit to conduct nationwide micro loan businesses through the Internet and other kinds of offline micro loan business as indicated in the approval to operate micro loan business. However, as the regulatory regime and practice with respect to online micro loan companies are evolving, there is uncertainty as to how the requirements in the above rules will be interpreted and implemented and whether there will be new rules issued which would establish further requirements and restrictions on online micro loan companies. We cannot assure you that our existing practice will be deemed to be in full compliance with any laws and regulations that are applicable, or may become applicable to us in the future.

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### Regulations Relating to Foreign Investment

Investment activities in the PRC by foreign investors are governed by the Guidance Catalog of Industries for Foreign Investment, or the Catalog, which was promulgated and is amended from time to time by the MOC and the National Development and Reform Commission. The latest version became effective from July 28, 2017. The Catalog divides industries into three categories in terms of foreign investment, which are “encouraged”, “restricted” and “prohibited”. The purpose of the Catalogue is to direct foreign investment into certain priority industry sectors while restricting or prohibiting investment in other sectors. If the industry in which the investment is to occur falls into the encouraged category, foreign investment can be conducted through the establishment of a wholly foreign owned enterprise. If restricted, foreign investment may be conducted through the establishment of a wholly foreign owned enterprise if certain requirements are met or in some cases must be conducted through the establishment of a joint venture enterprise, with varying minimum shareholdings for the Chinese party depending on the particular industry. If prohibited, foreign investment of any kind is not allowed. Any industry not falling into any of the encouraged, restricted and prohibited categories is classified as a permitted industry for foreign investment.

Foreign investment in telecommunications companies in the PRC is governed by the Provisions for the Administration of Foreign-Invested Telecommunications Enterprises, or the Foreign-Invested Telecommunications Enterprises Provisions, which was promulgated by the State Council on December 11, 2001, and amended on September 10, 2008 and February 6, 2016, respectively. With certain exceptions to E-commerce, the VATS industry in the PRC is categorized as a “restricted” category under the Catalogue and has been subject to restrictions on percentage of foreign ownership (not holding more than 50%). The Foreign-Invested Telecommunications Enterprises Provisions further require (i) the major foreign investor in any VATS business in the PRC to demonstrate prior experience in providing VATS services and a good track record of business operations overseas (the “Qualification Requirement”); and (ii) foreign invested enterprises (“FIEs”) intending to conduct VATS business to obtain approvals from the MIIT and MOFCOM or its competent local branches prior to investing. Currently, none of the applicable PRC laws and regulations provides clear guidance or interpretation on the Qualification Requirement. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested VATS enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant’s annual reports for the past three years, satisfactory proof of compliance with the Qualification Requirements and business development plan. The guidance memorandum does not provide any further guidance on the proof, record or documentation required to support the proof satisfying the Qualification Requirements. Further, the guidance memorandum does not purport to provide an exhaustive list on the application requirement. As such, our PRC Legal Advisor takes the view that the details of the Qualification Requirements are subject to the discretion of MIIT or its provincial-level counterpart when it handles specific applications from foreign investors intending to set up a foreign-invested VATS business under the FITE Regulations. The Group has started taking steps in an attempt to comply with the Qualification Requirements so as to be qualified to acquire the entire equity interests in the PRC Operating Entities when the foreign investment restrictions in the VATS businesses are lifted.

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### **Regulations Relating to Internet Companies**

#### ***Regulations on Value-Added Telecommunication Services***

Among all of the applicable laws and regulations, the Telecommunications Regulations of the People's Republic of China, or the Telecom Regulations, promulgated by the PRC State Council in September 25, 2000 and amended on July 29, 2014 and February 6, 2016 respectively, is the primary governing law, and sets out the general framework for the provision of telecommunications services by domestic PRC companies. Under the Telecom Regulations, telecommunications service providers are required to procure operating licenses prior to their commencement of operations. The Telecom Regulations distinguish “basic telecommunications services” from “VATS.” VATS are defined as telecommunications and information services provided through public networks. The Telecom Catalogue was issued as an attachment to the Telecom Regulations to categorize telecommunications services as either basic or value-added. In February 2003 and December 2015, the Telecom Catalogue was updated respectively, categorizing online data and transaction processing, information services, among others, as VATS.

The Administrative Measures on Telecommunications Business Operating Licenses, promulgated by the MIIT in 2009 and most recently amended in July 2017, which set forth more specific provisions regarding the types of licenses required to operate VATS, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Under these regulations, a commercial operator of VATS must first obtain a VATS License, from the MIIT or its provincial level counterparts, otherwise such operator might be subject to sanctions including corrective orders and warnings from the competent administration authority, fines and confiscation of illegal gains and, in the case of significant infringements, the websites may be ordered to close.

In September 2000, the State Council issued the Administrative Measures on Internet Information Services, which was amended in January 2011. Internet information service is a kind of information service categorized as a VATS in the current Telecom Catalogue attached to the Telecommunications Regulation as most recently updated in December 2015. Pursuant to these measures, “Internet information services” refers to the provision of information through the Internet to online users, and are divided into “commercial Internet information services” and “non-commercial Internet information services.” A commercial Internet information services operator must obtain a VATS license for Internet information services, or the ICP License, from the relevant government authorities before engaging in any commercial Internet information services operations in China, while the ICP License is not required if the operator will only provide Internet information on a non-commercial basis. According to the Administrative Measures on Telecommunications Business Operating Licenses, the ICP License has a term of five years and can be renewed within 90 days before expiration.

In July 2006, the Ministry of Information Industry, the predecessor of the MIIT, issued the Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Business, which prohibits holders of these 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 such businesses in China.

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As the implementing rules of the Administrative Measures on Telecommunications Business Operating Licenses or the Telecom Catalogue have not been published, it remains uncertain as to whether online consumer finance service providers like us will be deemed as commercial Internet information service operator, or operators of online data and transaction processing, therefore there is uncertainty as to whether any or all of our consolidated VIEs, or the subsidiaries of our consolidated VIEs need to obtain ICP Licenses, or VATS license for online data and transaction processing services, or any other VATS licenses in order to be in full compliance with regulatory requirements with respect to VATS.

Currently the relevant laws and regulations only require P2P platforms to obtain VATS License after the completion of the registration with local financial regulatory authority (both ICP License and ODPTP License are sub-sets of value-added telecommunication business in accordance with relevant regulations).

As of the Latest Practicable Date, Hangzhou Yiniu, as the operator to conduct the online lending information intermediary business, and a number of other subsidiaries of the Group have obtained ICP Licenses. In the event future regulations and competent authority clearly require us to obtain ODPTP Licenses, we will apply for such licenses after we complete the online lending information intermediaries registration with the local financial regulatory authority. As advised by our PRC Legal Advisor, the requirement for applying ODPTP License is the same for applying ICP License and since Hangzhou Yiniu has already obtained the ICP License, our PRC Legal Advisor and us thereby believe there is no further requirement to be satisfied for the application of ODPTP License.

### ***Regulation on Mobile Internet Applications Information Services***

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications are especially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》), or the App Provisions, which was promulgated by the Cyberspace Administration of China, or the CAC, on June 28, 2016 and became effective on August 1, 2016. The App Provisions regulate mobile application information service providers. According to the App Provisions, the CAC and local offices of cyberspace administration shall be responsible for the supervision and administration of nationwide or local mobile application information, respectively.

Under the App Provisions, mobile application information service providers are required to obtain relevant qualifications prescribed by laws and regulations and shall be responsible for the supervision and administration of mobile application information required by laws and regulations and implement the information security management responsibilities strictly, including but not limited to: (1) to authenticate the identity information of the registered users, (2) to protect user information, and obtaining the consent of users while collecting and using users' personal information in a lawful and proper manner, (3) to establish information content audit and management mechanism, and take against any information content in violation of laws or regulations depending on circumstances, and (4) record and keep users' log information the same for sixty (60) days.



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We have implemented necessary programs in our mobile application to make sure the collection, protection and preservation of user information are in compliance with the App Provisions in all material aspects.

### *Regulations on Internet Security*

Internet information in China is regulated and restricted from a national security standpoint. The Standing Committee of the National People's Congress, or the SCNPC, has enacted the Decisions on Maintaining Internet Security on December 28, 2000 and further amended on August 27, 2009, which may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. In 1997, the Ministry of Public Security has promulgated measures that prohibit use of the internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content. If an internet information service provider violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

The Network Security Law of the PRC, which was promulgated by the SCNPC on November 7, 2016 and became effective on June 1, 2017. Under this regulation, network operators, including online lending information service providers, shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services, and take all 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, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of key information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of PRC. Their purchase of network products and services that may affect national security shall be subject to national cybersecurity review. On May 2, 2017, the CAC issued a trial version of the Measures for the Security Review of Network Products and Services (Trial) (《網絡產品和服務安全審查辦法(試行)》), which took effect on June 1, 2017, to provide for more detailed rules regarding cybersecurity review requirements.

### *Regulations on Privacy Protection*

On December 13, 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) (the "Internet Protection Measures") which took effect on March 1, 2006. The Internet Protection Measures require Internet service providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records.



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Internet services providers are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences.

The Several Provisions on Regulating the Market Order of Internet Information Services, issued by the MIIT in December 2011, provide that, an internet information service provider may not collect any user personal information or provide any such information to third parties without the consent of a user. An internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly maintain the user personal information, and in case of any leak or likely leak of the user personal information, online lending service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

In December 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) to enhance the legal protection of information security and privacy on the Internet. In July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) to regulate the collection and use of users' personal information in the provision of telecommunication services and Internet information services in China and the personal information includes a user's name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user. Telecommunication business operators and Internet service providers are required to constitute their own rules for the collecting and use of users' information and they cannot collect or use of user's information without users' consent. Telecommunication business operators and Internet service providers must specify the purposes, manners and scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. Telecommunication business operators and Internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. Telecommunication business operators and Internet service providers are required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

Pursuant to the Ninth Amendment to the Criminal Law issued by the SCNPC, in August 2015 and became effective in November, 2015, any internet service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty.

On November 7, 2016, the Standing Committee of the National People's Congress released the Cyber Security Law, which will take effect on June 1, 2017. The Cyber Security Law requires network operators to perform certain functions related to cyber security protection and the strengthening of network information management. For instance, under the Cyber Security Law, network operators of key information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of PRC.

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On May 8, 2017, the Supreme People’s Court and the Supreme People’s Procuratorate released the Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information, or the Interpretations, which became effective on June 1, 2017. The Interpretations provide more practical conviction and sentencing criteria for the infringement of citizens’ personal information and mark a milestone for the criminal protection of citizens’ personal information.

Furthermore, the Interim Measures require online lending information service providers to reinforce the management of lenders’ and borrowers’ information, so as to ensure the legitimacy and security regarding the collection, processing and use of lenders’ and borrowers’ information. Also, online lending information service providers should keep confidential the lenders’ and borrowers’ information collected in the course of their business, and should not use such information for any other purpose except for services they provide without approval of lenders or borrowers.

While we have taken measures to protect the confidential information that we have access to, our security measures could be breached. Any accidental or willful security breaches or other unauthorized access to our platform could cause confidential borrower and investor information to be stolen and used for criminal purposes. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. See “Risk Factors—Risks Relating to Our Business and Industry—If we are unable to protect the confidential information of our users and adapt to the relevant regulatory framework regarding the protection of such information, our business and operations may be adversely affected”.

### **Regulations Relating to Foreign Exchange**

#### ***Regulations on Foreign Currency Exchange***

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification

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of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated another circular in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

On February 13, 2015, the SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment, or SAFE Notice 13. After SAFE Notice 13 became effective on June 1, 2015, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals will be required to apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of the SAFE, will directly examine the applications and conduct the registration.

On March 30, 2015, the SAFE promulgated Circular 19, to expand the reform nationwide. Circular 19 allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of international balance of payments. However, Circular 19 and another circular promulgated by SAFE in June 2016, SAFE Circular 16, continues to, prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment and financing (except for security investment or guarantee products issued by bank), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. See “Risk Factors—Risks Relating to Doing Business in China—PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of this offering to make loans to our PRC subsidiary and our consolidated VIE, or to make additional capital contributions to our PRC subsidiary.”

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, or Circular 3, 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 shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to Circular 3, domestic entities shall 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.

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### ***Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents***

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Round-trip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75". SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

On February 13, 2015, SAFE released Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies, or SAFE Circular 13, under which local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, starting from June 1, 2015. See "Risk Factors—Risks Relating to Doing Business in China—PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries' ability to increase their registered capital or distribute profits."

### ***Regulations on Employee Stock Incentive Plans of Overseas Publicly-Listed Company***

Pursuant to the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, issued by SAFE in February 2012, individuals participating in any stock incentive plan of any overseas publicly listed company who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We and our executive officers and other employees who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year and have been granted options will be subject to these regulations upon the completion of this offering. Failure by these individuals to complete their SAFE registrations may subject us and them to fines and other legal sanctions. See "Risk Factors—Risks Relating to Doing Business in China—Any failure to comply with PRC regulations regarding our employee share incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions."

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The SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant 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 relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

### *Regulations on Intellectual Property Rights*

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

#### *Copyright*

China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October, 1992, the Universal Copyright Convention in October, 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC (Revised in 2010) (《中華人民共和國著作權法》)(2010年修訂) (the “Copyright Law”) and related rules and regulations. The Copyright Law provides that Chinese citizens, legal persons, or other organizations shall whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

Under the Regulation on Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》) that took effect on July 1, 2006 and was amended on January 30, 2013, it is further provided that an Internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the Internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content, or, although not aware of the infringement, the Internet information service provider fails to take such measures upon receipt of the copyright holder’s notice of infringement.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (the “Software Copyright Measures”), promulgated by the National Copyright Administration on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration of China shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Centre of China (the “CPCC”), is designated as the software registration

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authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例》(2013年修訂)).

### *Patent*

The Patent Law provides for patentable inventions, utility models and designs, which must meet three conditions: novelty, inventiveness and practical applicability. The State Intellectual Property Office under the State Council is responsible for examining and approving patent applications. The duration of a patent right is either 10 years or 20 years from the date of application, depending on the type of patent right.

### *Trademark*

The PRC Trademark Law and its implementation rules protect registered trademarks. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. The Trademark Office under the State Administration of Industry and Commerce is responsible for the registration and administration of trademarks throughout the PRC, and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the initial or extended term. Trademark license agreements must be filed with the Trademark Office for record. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. See “Risk Factors—Risks Related to Doing Business in China—We may be unable to protect our proprietary intellectual property rights from unauthorized use, such that our brand, reputation and business may be negatively impacted.”

### *Domain Name*

Domain names are protected under the Administrative Measures on the Internet Domain Names promulgated by the MIIT on 24 August 2017 and enacted on November 1, 2017. The MIIT is the major regulatory authority responsible for the administration of the PRC Internet domain names. The registration of domain names in PRC is on a “first-apply-first-registration” basis. A domain name applicant will become the domain name holder upon the completion of the application procedure.

### ***Regulations on Dividend Distribution***

Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from Hangzhou Zhenniu, which is a wholly foreign-owned enterprise incorporated in China, to fund any cash and financing requirements we may have. The principal regulations governing distribution of dividends of foreign-invested enterprises include the Company Law of the



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PRC (《中華人民共和國公司法》), as amended in 2005 and in 2013, the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》) promulgated in 1986 and last amended in 2016 and its implementation regulations promulgated in 1990 and subsequently amended in 2001 and 2014, the Equity Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法》) promulgated in 1979 and last amended in 2016 and its implementation regulations promulgated in 1983 and last amended in 2014, and the Cooperative Joint Venture Law of the PRC (《中華人民共和國中外合作經營企業法》) promulgated in 1988 and last amended in 2016 and its implementation regulations promulgated in 1995 and amended in 2014. Under these laws and regulations, 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 are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

### ***Regulations on M&A and Overseas Listings***

Six PRC regulatory agencies, including the MOFCOM and the CSRC, jointly adopted 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》) (the “M&A Rules”), which became effective in September 2006 and revised on June 22, 2009. The M&A Rules, among other things, require offshore SPVs formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled directly or indirectly by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

While the application of the M&A Rules remains unclear, we believe, based on the advice of our PRC counsel, Beijing Dacheng Law Offices, LLP, that CSRC approval is not required in the context of this offering because: (a) we established our PRC subsidiary, Hangzhou Zhenniu, by means of direct investment rather than by merger with or acquisition of PRC domestic companies, and (b) no explicit provision in the M&A Rules classifies the respective contractual arrangements between Hangzhou Zhenniu, Hangzhou Enniu and its shareholders as a type of acquisition transaction falling under the M&A Rules. However, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented. See “Risk Factors—Risks Relating to Doing Business in China—The approval of the CSRC, may be required in connection with this offering under a PRC regulation. The regulation also establishes more complex procedures for acquisitions conducted by foreign investors that could make it more difficult for us to grow through acquisitions.”

### **Regulations Relating to Employment and Social Warfare**

the Labor Law of the PRC (《中華人民共和國勞動法》) and The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “Labor Contract Law”) require that employers must



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execute written employment contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. Violations of the PRC Labor Law and the Labor Contract Law may result in the imposition of fines and other administrative sanctions, and serious violations may result in criminal liabilities.

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, The Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on July 1, 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council in 1999 and amended in 2002, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

Historically, we have not made adequate contributions to employee benefit plans, as required by applicable PRC laws and regulations. We have recorded accruals for the estimated underpaid amounts for the current employees in our financial statements. However, we have not made any accruals for the interest on underpayment and penalties that may be imposed by the relevant PRC government authorities in the financial statements as we believe it would be unlikely that the relevant PRC government authorities will impose any significant interests or penalties. See “Risk Factors—Risks Relating to Doing Business in China—Failure to make contributions to various employee benefit plans on our own as required by PRC regulations may subject us to penalties.”

### **Regulations Relating to Tax**

#### ***Dividend Withholding Tax***

Pursuant to the Enterprise Income Tax Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5%

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from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to enjoy the reduced withholding tax: (i) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties, or Circular 60, which became effective on November 1, 2015. Circular 60 provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, our Hong Kong subsidiary, may be able to enjoy the 5% withholding tax rate for the dividends they receive from our PRC subsidiaries, if it satisfies the conditions prescribed under Circular 81 and other relevant tax rules and regulations. However, according to Circular 81 and Circular 60, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

### *Enterprise Income Tax*

The Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》), or the EIT Law, and The Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》), which became effective on January 1, 2008, are the principal regulations governing enterprise income tax in the PRC. The EIT Law imposes a uniform enterprise income tax rate of 25% on all resident enterprises in the PRC, including foreign-invested enterprises.

Uncertainties exist with respect to how the EIT Law applies to the tax residence status of 51 Credit Card Inc. and our offshore subsidiaries. Under the EIT Law, an enterprise established outside China with its “de facto management bodies” located within China is considered a “resident enterprise”, which means that it is treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define de facto management body as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the 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 (the “SAT Circular 82”) (《關於境外註冊中資控股企業依據實際管理機構標準實施居民企業認定有關問題的通知》) was promulgated by the SAT on April 22, 2009 and amended on January 29, 2014. According to SAT Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a “de facto management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following criteria are met: (a) the

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primary location of the day-to-day operational management is in China; (b) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (c) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in China; and (d) 50% or more of voting board members or senior executives habitually reside in China.

We do not believe that we meet all of the conditions outlined in the immediately preceding paragraph. We believe that 51 Credit Card Inc. and our offshore subsidiaries should not be treated as a "resident enterprise" for PRC tax purposes if the criteria for "de facto management body" as set forth in SAT Circular 82 were deemed applicable to us. However, as the tax residency 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" as applicable to our offshore entities, we may be treated as a resident enterprise for PRC tax purposes under the EIT Law, and we may therefore be subject to PRC income tax on our global income. We are actively monitoring the possibility of "resident enterprise" treatment for the applicable tax years and are evaluating appropriate organizational changes to avoid this treatment, to the extent possible.

In the event that 51 Credit Card Inc. or any of our offshore subsidiaries is considered to be a PRC resident enterprise: 51 Credit Card Inc. or our offshore subsidiaries, as the case may be, may be subject to the PRC enterprise income tax at the rate of 25% on our worldwide taxable income; dividend income that 51 Credit Card Inc. or our offshore subsidiaries, as the case may be, received from our PRC subsidiaries may be exempt from the PRC withholding tax; and interest paid to our non-PRC shareholders who are non-PRC resident enterprises as well as gains realized by such shareholders from the transfer of our shares may be regarded as PRC-sourced income and as a result be subject to PRC withholding tax at a rate of up to 10% and similarly, dividends paid to our shareholders who are non-PRC resident individuals, as well as gains realized by such shareholders from the transfer of our shares, may be regarded as PRC-sourced income and as a result be subject to PRC withholding tax at a rate of 20%. Any such PRC tax liability may be reduced by an applicable tax treaty. See "Risk Factors—Risks Relating to Doing Business in China—Dividends paid to our foreign investors and gains on the sale of our shares by our foreign investors may become subject to PRC tax."

SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Resident Enterprises, or SAT Public Notice 7, on February 3, 2015, which replaced or supplemented certain previous rules under the Circular on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-Resident Enterprises, or SAT Circular 698. On October 17, 2017, SAT issued an Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or SAT Public Notice 37 to totally repeal SAT Circular 698 and the second paragraph of Section 8 of SAT Public Notice 7. Under SAT Public Notice 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable 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. According to SAT Public Notice 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income. Equity transfer income shall mean the consideration collected by the equity transferor from the equity transfer, including

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various income in monetary form and non-monetary form. Equity net value shall mean the tax computation basis for obtaining the said equity. The tax computation basis for equity shall be the capital contribution costs actually paid by the equity transferor to a Chinese resident enterprise at the time of investment and equity participation, or the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of the said equity. According to SAT Public Notice 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment, the relevant gain is to be regarded as effectively connected with the PRC establishment and therefore included in its enterprise income tax filing, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of SAT Public Notice 37 and SAT Public Notice 7. If SAT Public Notice 37 and SAT Public Notice 7 were determined by the tax authorities to be applicable to some of our transactions involving PRC taxable assets, our offshore subsidiaries conducting the relevant transactions might be required to spend valuable resources to comply with SAT Public Notice 37 and SAT Public Notice 7 or to establish that the relevant transactions should not be taxed under SAT Public Notice 37 and SAT Public Notice 7. See “Risk Factors—Risks Relating to Doing Business in China—We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.”

Under applicable PRC laws, payers of PRC-sourced income to non-PRC residents are generally obligated to withhold PRC income taxes from the payment. In the event of a failure to withhold, the non-PRC residents are required to pay such taxes on their own. Failure to comply with the tax payment obligations by the non-PRC residents will result in penalties, including full payment of taxes owed, fines and default interest on those taxes.

### ***PRC Value-Added Tax***

Pursuant to The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則》(2011年修訂)) promulgated by the Ministry of Finance of China and the SAT on December 15, 2008 which were subsequently amended on October 28, 2011 and came into effect on November 1, 2011, entities or individuals conducting business in the service industry are required to pay a value-added tax, or VAT, at a rate of 6% with respect to revenues derived from the provision of online information services. A taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OVERVIEW

Our business commenced in May 2012 when we launched “51 Credit Card Manager”, an App that can smartly manage credit card bills at one touch and greatly satisfy the demand for personal liabilities management of users, especially for multi-card users. Subsequently in August 2012, we established Hangzhou Enniu as the operating entity for the App. Since inception, our business has covered one-stop personal financial services for personal credit management, credit card technology services and online credit facilitation and investment services, having several Apps, including the “51 Credit Card Manager (51信用卡管家)”, the “51 Renpin (51人品)”, the “51 Renpin Loan (51人品貸)” and “Geinihua (給你花)”. We have become a leading financial technology services group in China.

Mr. Sun Haitao (孫海濤) is our founder. Historically, our business operation was mainly carried out by Hangzhou Enniu and its subsidiaries. Mr. Sun contributed to the capital of Hangzhou Enniu from his personal resources as the initial working capital at the time of the establishment of Hangzhou Enniu. Since 2012, our business development has attracted certain external investors. In November 2012, Hangzhou Enniu completed the angel round of financing. In 2013, Hangzhou Enniu successively completed A1 and A2 rounds of financing. For details, please refer to “— Investors’ Investments”.

In August 2014, we established U51.Com Inc., an exempted company incorporated in the Cayman Islands, and established U51.Com Limited, its wholly-owned subsidiary in Hong Kong, as well as Kebeisi Network Technology (Hangzhou) Co., Ltd. (柯貝司網絡科技(杭州)有限公司) (“**Kebeisi**”) and Kabiniu Network Technology (Hangzhou) Co., Ltd. (卡比牛網絡科技(杭州)有限公司) (“**Kabinu**”), which were wholly foreign owned enterprises in the PRC. Hangzhou Enniu and Hangzhou Wuyao Technology Co., Ltd. (杭州吾么科技有限公司) (“**Hangzhou Wuyao**”), as domestic operating entities, entered into contractual arrangements with Kebeisi and Kabinu (and their respective equity holders) for the purpose of reflecting the equity interest of the shareholders of Hangzhou Enniu into U51.Com Inc. and leveraging international capital markets to attract further investments to support our business development. For details of such contractual arrangements, please refer to “— Background relating to the Old Contractual Arrangements”. In 2015, U51.Com Inc. successively obtained B round and B1 round of financing from foreign investors, which further strengthened our business development trajectory. For details, please refer to “— Investors’ Investments”.

At the end of 2015, we implemented a series of shareholding changes and terminated the above contractual arrangements in February 2016 and Hangzhou Enniu became our core operating entity in China. For details, please refer to “— Background relating to the Old Contractual Arrangements”. From April 2016 to October 2016, Hangzhou Enniu obtained the C round financing. For details, please refer to “— Investors’ Investments”.

Since September 2017, in preparation for the Listing, we underwent a series of corporate reorganizations, including the establishment of our Company, the implementation of the relevant shareholding changes, the domestic reorganization and the entering into of the contractual arrangements relating to Hangzhou Enniu. For details of our Company’s reorganization, please refer to “— Corporate Reorganization”. After these reorganizations, the equity interest of the existing shareholders of Hangzhou Enniu is largely reflected in the shareholding structure of our Company. In October 2017, our Company established a wholly-owned subsidiary in Hong Kong, 51 Credit Card

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China, and established Hangzhou Zhenniu as our Company's wholly foreign-owned enterprise in China in November 2017. On November 23, 2017, Hangzhou Zhenniu, Hangzhou Enniu and all the shareholders of Hangzhou Enniu entered into the contractual arrangements. Through these contractual arrangements, we were able to consolidate the financial results of Hangzhou Enniu into the financial results of our Group. For details of these contractual arrangements of the Company, please refer to "Contractual Arrangements" and "— Corporate Reorganization — Contractual Arrangements relating to Hangzhou Enniu".

We acquired Beijing Dingli in February 2016, China Netcom in July 2017, closed the acquisition of Shouhui Kaizhuo in December 2017 and acquired Shenzhen Zhongrong Insurance Broker Co., Ltd. (深圳中融保險經紀有限公司) ("Zhongrong Insurance") in November 2017. Through the aforementioned acquisitions, we have further enhanced the strength of the Group's management, expanded the business scope of the Group, and enhanced the synergy between the Company's businesses.

### Business milestones

Major business milestones of the Group are summarized as follows:

| Date | Event                                                                                                                                                                                                                                         |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2012 | We developed 51 Credit Card Manager App, the first credit card management App in China<br><br>We obtained the angel round of financing                                                                                                        |
| 2013 | Over one year, we have accumulated a large number of users and substantial data of credit card bills and laid a solid foundation for our business growth<br><br>Hangzhou Enniu completed A1 and A2 rounds investment                          |
| 2014 | We cooperated with Yixin (宜信) to formally launch Shunshi Dai (瞬時貸) in April, a domestic pure online speedy loan product, and started to provide financial services<br><br>We started our credit card application business                     |
| 2015 | We launched 51 Renpin Loan (51人品貸), a personal loan product for credit card users<br><br>In May, we launched the 51 Renpin (51人品) App to provide online lending information services<br><br>U51.Com Inc. completed B and B1 rounds investment |
| 2016 | In February, we completed the strategic acquisitions of Beijing Dingli and started to provide credit recommendation services for non-credit card holders.                                                                                     |



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| Date | Event                                                                                                                                        |
|------|----------------------------------------------------------------------------------------------------------------------------------------------|
|      | Accumulated loan facilitated amount exceeded RMB10 billion                                                                                   |
|      | Hangzhou Enniu obtained C round investment                                                                                                   |
| 2017 | Our cumulative activated users exceeded 100 million                                                                                          |
|      | We launched industry investment fund and commenced industrial chain investment to further enhance business synergy and expand business scope |
|      | In June, we set up the Fuzhou Network Micro Credit Company (撫州網絡小貸公司)                                                                        |
|      | Our credit card bill repayment amount exceeded RMB100 billion                                                                                |
|      | We closed the strategic acquisition of Shouhui Kaizhuo, China Netcom and Zhongrong Insurance                                                 |
|      | We completed the strategic investment in 51 Credit.com (我愛卡)                                                                                 |

### Our major subsidiaries and operating entities

Our major subsidiaries and members of our Group which have made significant contributions to our results of operations during the Track Record Period and their major business activities, dates of incorporation are set out as follows:

| Name of company                                                 | Major business activities                                                                                                                                                           | Dates of incorporation                                     |
|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Hangzhou Enniu Network Technology Co., Ltd.<br>(杭州恩牛網絡技術有限公司)   | <ul style="list-style-type: none"> <li>Operate the “51 Credit Card Manager” App</li> <li>Provide personal credit management services and credit card technology services</li> </ul> | August 2, 2012                                             |
| Hangzhou Yiniu Network Technology Co., Ltd.<br>(杭州義牛網絡技術有限公司)   | <ul style="list-style-type: none"> <li>Operate the 51 Renpin (51人品) App, a platform engaging in online information intermediary business</li> </ul>                                 | May 5, 2015                                                |
| Beijing Dingli Chuangshi Technology Co., Ltd.<br>(北京鼎力創世科技有限公司) | <ul style="list-style-type: none"> <li>Operate the Geinihua (給你花) App</li> </ul>                                                                                                    | April 14, 2014<br>(Completed acquisition in February 2016) |



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| Name of company                                             | Major business activities                                                          | Dates of incorporation |
|-------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------|
| Hangzhou Yeniu Asset Management Co., Ltd.<br>(杭州也牛資產管理有限公司) | • Provide financial technology services for banks and other financial institutions | February 24, 2016      |
| Fuzhou Network Micro Credit Co., Ltd.<br>(撫州市恩牛網絡小額貸款有限公司)  | • Conduct online micro loan business                                               | June 23, 2017          |

### *Historical acquisition*

#### *1. Acquisition of Beijing Dingli*

On January 25, 2016, Shanghai Wuniu Network Technology Co. Ltd. (“**Shanghai Wuniu**”) and Hangzhou Enniu entered into “the Acquisition Agreement in Relation to 99Fenqi.com Inc. and Beijing Dingli Chuangshi Technology Co., Ltd. (北京鼎力創世科技有限公司)” with 99 FenQi Group (Hong Kong) Limited, 99FenQi. Com (Hong Kong) Limited, Beijing Dingli Chuangshi Technology Co., Ltd. (北京鼎力創世科技有限公司) (“**Beijing Dingli**”), Yang Yuzhi (楊宇智), Wang Baohua (王寶華), Cao Lei (曹蕾), Lin Qian (林千), Shanghai Haobin Financial Information Services Co., Ltd. (上海好斌金融信息服務有限公司) (“**Shanghai Haobin**”), Shanghai Yueyin Investment Partnership (Limited Partnership) (上海越銀投資合夥企業(有限合夥)) (“**Shanghai Yueyin**”), Shanghai Rongyin Equity Investment Partnership (Limited Partnership) (上海融銀股權投資合夥企業(有限合夥)) (“**Shanghai Rongyin**”) and Shanghai Panshi Qiyun Investment Partnership (Limited Partnership) (上海磐石祺蘊投資合夥企業(有限合夥)) (“**Shanghai Panshi**”). Pursuant to such agreement, Shanghai Wuniu acquired the 100% interest in 99Fenqi.com Inc. (“99Fenqi”) from 99 FenQi Group (Hong Kong) Limited for a consideration of RMB24,778,725 at the offshore level. At the onshore level, Hangzhou Enniu acquired the 100% equity interest in Beijing Dingli from Cao Lei, Lin Qian, Wang Baohua, Shanghai Haobin, Shanghai Panshi, Shanghai Rongyin and Shanghai Yueyin for a consideration of RMB35,000,000. Therefore, Shanghai Wuniu wholly owned 99Fenqi and Hangzhou Enniu became the sole shareholder of Beijing Dingli. As of February 2016, we had completed the acquisition of Beijing Dingli. The consideration was negotiated and determined by the parties based on fair value.

The acquisition of Beijing Dingli has enhanced the strength of the management of our Group, and at the same time expanded our Group’s business to non-credit card users, which expanded our users base and enhanced business synergy.

#### *2. The Acquisition of Shouhui Kaizhuo*

On April 1, 2017, to control Beijing Yaku Shikong Information Exchange Technology Co., Ltd. (北京雅酷時空信息交換技術有限公司) (“**Yaku Shikong**”) which holds a valid payment license, Hangzhou Enniu and Beijing Shouhui Kaizhuo Technology Company Limited (北京首惠開桌科技股份有限公司) (the company holding 100% equity interest in Yaku Shikong and now renamed as Beijing

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Shouhui Kaizhuo Technology Co., Ltd. (北京首惠開桌科技有限公司) (“**Shouhui Kaizhuo**”) and Yang Fan (楊帆), Beijing Shouhui Tianxia Equity Investment Partnership (Limited Partnership) (北京首惠天下股權投資合夥企業(有限合夥)) (“**Shouhui Tianxia**”), Beijing Fanshan Jinshi Investment Development Partnership (Limited Partnership) (北京凡山金石投資發展合夥企業(有限合夥)) (“**Fanshan Jinshi**”) and all other shareholders of Shouhui Kaizhuo (“**All Other Shareholders**”) entered into the “Agreement on the Acquisition of Beijing Shouhui Kaizhuo Technology Company Limited” (“**Shouhui Kaizhuo Acquisition Agreement**”), pursuant to which and its ancillary agreement, Hangzhou Enniu and its relevant parties acquired the actual control of Shouhui Kaizhuo. In respect of the acquisition of 75% equity interest in Shouhui Kaizhuo held by Yang Fan, Shouhui Tianxia and All Other Shareholders, Hangzhou Enniu and its relevant parties agreed to pay a cash consideration of RMB466 million in total. In respect of the acquisition of 25% equity interest in Shouhui Kaizhuo from Fanshan Jinshi, it was agreed that Fanshan Jinshi will acquire 1.9560% equity interest in Hangzhou Enniu by contributing its 25% equity interest in Shouhui Kaishuo as the consideration. The considerations for such acquisitions were determined by the parties to the Shouhui Kaizhuo Acquisition Agreement based on fair value of the equity interest in Shouhui Kaizhuo.

As of December 2017, our acquisition of Shouhui Kaizhuo had been closed as the parties have fulfilled the conditions precedent in respect of the acquisition of Shouhui Kaizhuo under the Shouhui Kaizhuo Acquisition Agreement (as supplemented), including but not limited to, (i) obtaining all necessary corporate approvals in connection with such acquisition, (ii) Shouhui Kaizhuo’s appointment of directors and supervisors nominated by Hangzhou Enniu, (iii) representations and warranties remaining true and accurate, (iv) no material adverse changes in the business, operation, assets and financial condition in Shouhui Kaizhuo, and (v) transformation of Shouhui Kaizhuo into a limited liability company and subsequent registration with the relevant competent administration and industry authority, following which Hangzhou Enniu and its related parties were registered as the shareholders of Shouhui Kaizhuo with the competent administration and industry authority in accordance with PRC laws and regulations in December 2017. Shouhui Kaizhuo has been consolidated as our subsidiary from December 31, 2017. As of the Latest Practicable Date, Hangzhou Enniu had paid a cash consideration of RMB42,655,132 to Yang Fan, Shouhui Tianxia and All Other Shareholders. As a post-closing obligation, we will pay the remaining cash consideration upon the obtaining of PBOC’s confirmation of change of de facto controller of Yaku Shikong in respect of its payment business license, further details of which is disclosed in “- Corporate Reorganization - 1. Establishment of the Company and Major Shareholding Changes - (2) Major Shareholding Changes of the Company”. On November 20, 2017, Fanshan Jinshi acquired 1.9560% equity interest in Hangzhou Enniu. Through these acquisitions of Shouhui Kaizhuo, we have been able to better provide credit management services to our users.

For details of the subscription of shares of Hangzhou Enniu by Fanshan Jinshi, please refer to “— Investors’ Investments — (1) Investments in Hangzhou Enniu — (vi) Subscription of shares of Hangzhou Enniu by Fanshan Jinshi”.

### 3. *Acquisition of China Netcom*

On April 11, 2017, 51Renpin.Com Inc. (a limited company incorporated in the British Virgin Islands) (“**51 Renpin**”), a wholly owned subsidiary of Shanghai Wuniu, entered into the Convertible Preference Shares Acquisition Agreement (“**CPS Acquisition Agreement**”) with Mr. Leung Ngai Man

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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(梁毅文), a shareholder of China Netcom Technology Holdings Limited, a company incorporated in the Cayman Islands and listed on the Growth Enterprise Market of the Stock Exchange and was then principally engaged in the provision of lottery system management services and lottery sales hall operation services in the PRC (stock code: 8071) (“**China Netcom**”). Pursuant to the CPS Acquisition Agreement, Mr. Leung agreed to sell and 51 Renpin agreed to acquire 1,003,333,333 Convertible Preference Shares at a consideration of HK\$82,273,333.31, representing HK\$0.082 per Convertible Preference Share. The CPS Acquisition Agreement became effective on April 11, 2017. Upon completion of the sales and purchase of the Convertible Preference Shares and pursuant to the terms of the CPS Acquisition Agreement, 51 Renpin exercised the conversion rights attaching to the CPS Acquisition Agreement. As a result of the exercise of the conversion rights attaching to 1,003,333,333 Convertible Preference Shares, 1,003,333,333 ordinary shares were allotted and issued to 51 Renpin on April 12, 2017.

On April 11, 2017, Mr. Leung and 51 Renpin and Tiantu Investments International Limited (天圖投資國際有限公司) (“**Tiantu International**”) entered into a share purchase agreement (“**Share Purchase Agreement**”) pursuant to which 51 Renpin and Tiantu International have conditionally agreed to acquire 441,629,880 shares and 365,000,000 shares at a consideration of HK\$36,213,650.16 and HK\$29,930,000.00 respectively, representing HK\$0.082 per share. The Share Purchase Agreement was completed on April 18, 2017.

Concurrently upon entering into the Share Purchase Agreement, 51 Renpin and China Netcom entered into the Subscription Agreement (“**Subscription Agreement**”) pursuant to which 51 Renpin subscribed for 390,000,000 shares of China Netcom for a consideration of HK\$31,980,000, representing HK\$0.082 per share. On July 19, 2017, 51 Renpin were allotted and issued 390,000,000 shares at the subscription price of HK\$0.082 per subscription share.

As of the Latest Practicable Date, the Company, through 51 Renpin, held 1,834,963,213 ordinary shares of China Netcom, representing a shareholding ratio of 39.28%. Tiantu International, an acting in concert party of the Company in such acquisitions, held 365,000,000 ordinary shares of China Netcom, representing a shareholding ratio of 7.81%.

51 Renpin, after a detailed review of the business activities and assets of China Netcom, introduced the “Xiaowu Wallet (小伍錢包)” business to China Netcom in September 2017 to provide convenient financial services to people without credit cards. Based on the study and analysis of the current micro loan market, we believe that the Company’s business will generate commercial synergies with the “Xiaowu Wallet (小伍錢包)” business.

#### 4. *The Acquisition of Zhongrong Insurance*

On July 27, 2017, Hangzhou Enniu, Shenzhen Zhongrong Asset Management Co., Ltd. (深圳中融資產管理有限公司) (“**Zhongrong Asset**”) and Shenzhen Zhongrong Insurance Broker Co., Ltd. (深圳中融保險經紀有限公司) (“**Zhongrong Insurance**”) entered into an equity transfer agreement, pursuant to which Hangzhou Enniu acquired from Zhongrong Asset its 95% interest in Zhongrong Insurance. The consideration was RMB68.50 million, which shall be paid by Hangzhou Enniu in installments to Zhongrong Asset. The consideration was determined by the parties to the equity transfer agreement based on fair value. As of November 29, 2017, Hangzhou Enniu had

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completed the acquisition of Zhongrong Insurance and had paid RMB23.50 million to Zhongrong Asset as part of the consideration as agreed in the equity transfer agreement, and the remaining portion of the consideration will be paid in installments as agreed and will be fully settled after the post-closing obligations have been performed by Zhongrong Asset as agreed in the aforesaid equity transfer agreement. Through the acquisition of Zhongrong Insurance, we are able to expand our business into the insurance business sector.

### Investors' Investments

#### 1. Overview

Historically, we had obtained several rounds of investments from investors in (1) Hangzhou Enniu, (2) U51.Com Inc. and (3) the Company. Hangzhou Enniu received the (i) angel round investment in November 2012, (ii) A1 round investment in June 2013, (iii) A2 round investment in September 2013, (iv) C round investment in October 2016, (v) the capital injection by Beijing Tiantu in September 2017 and (vi) the investment by Fanshan Jinshi in November 2017. U51.Com Inc., the holding company under the Old Contractual Arrangements, received the (i) B round investment in January 2015 and (ii) B1 round investment in April 2015. Upon the establishment of the Company and pursuant to the Company's corporate reorganization, the equity interest of the existing shareholders of Hangzhou Enniu has been largely reflected in the shareholding structure of the Company. In addition, the Company received capital injection from 51 Xinhua L.P. in November 2017.

#### (1) Investments in Hangzhou Enniu

##### (i) Angel round investment

On November 1, 2012, Hangzhou Enniu, Mr. Sun, Wuxi Huaying Culture Industry Investment Enterprise (Limited Partnership) (無錫華映文化產業投資企業(有限合夥)) (“**Wuxi Huaying**”), Suzhou Huaying Culture Industry Investment Enterprise (Limited Partnership) (蘇州華映文化產業投資企業(有限合夥)) (“**Suzhou Huaying**”) and Yuan Hui (袁輝) entered into a share subscription agreement. The following table sets forth the consideration of the subscriptions and the shareholding percentages of the angel round investment:

| No. | Name of investor | Consideration<br>(RMB in millions) | Equity interest<br>acquired post<br>completion (%) |
|-----|------------------|------------------------------------|----------------------------------------------------|
| 1   | Wuxi Huaying     | 2.00                               | 6.67%                                              |
| 2   | Suzhou Huaying   | 1.00                               | 3.33%                                              |
| 3   | Yuan Hui         | 3.00                               | 10.00%                                             |

The proceeds from the angel round investment were RMB6.00 million. The considerations were determined by the parties based on fair value. Such shares have been allotted and issued in November 2012.

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### (ii) A1 round investment

On June 6, 2013, Hangzhou Enniu, Mr. Sun, Changshu Huaying Southeast Investment Co., Ltd. (常熟華映東南投資有限公司) (“**Changshu Huaying**”), Wuxi Huaying, Suzhou Huaying, Yuan Hui and Shanghai Siwofeng Digital Technology Co., Ltd. (上海思沃豐數碼科技有限公司) (“**Shanghai Siwofeng**”) entered into a capital injection agreement. The following table sets forth the consideration of the subscriptions and the shareholding percentages of the A1 round investment:

| No. | Name of investor | Consideration<br>(RMB in millions) | Equity interest<br>acquired post<br>completion (%) |
|-----|------------------|------------------------------------|----------------------------------------------------|
| 1   | Changshu Huaying | 4.00                               | 5.56%                                              |
| 2   | Suzhou Huaying   | 4.00                               | 5.56%                                              |
| 3   | Wuxi Huaying     | 4.00                               | 5.56%                                              |

The proceeds from the A1 round investment were RMB12.00 million. The considerations were determined by the parties based on fair value. Such shares have been allotted and issued in June 2013.

### (iii) A2 round investment

On September 25, 2013, Hangzhou Enniu, Mr. Sun, Wuxi Huaying, Suzhou Huaying, Changshu Huaying, Yuan Hui, Jiangsu Huaying Capital Management Co., Ltd. (江蘇華映資本管理有限公司) (“**Jiangsu Huaying**”), Shanghai Qingniu Investments Center (Limited Partnership) (上海卿牛投資中心(有限合夥)), (“**Shanghai Qingniu**”), Qingliu (Beijing) Investment Consulting Co., Ltd. (清流(北京)投資諮詢有限公司) (“**Qingliu Capital**”) and Hainahua (Shanghai) Equity Investment Fund Partnership (Limited Partnership) (海納華(上海)股權投資基金合夥企業(有限合夥)) (“**Hainahua**”) entered into a subscription agreement. The following table sets forth the consideration of the subscriptions and the shareholding percentages of the A2 round investment:

| No. | Name of investor | Consideration<br>(RMB in millions) | Equity interest<br>acquired post<br>completion (%) |
|-----|------------------|------------------------------------|----------------------------------------------------|
| 1   | Hainahua         | 28.00                              | 20.00%                                             |
| 2   | Qingliu Capital  | 7.00                               | 5.00%                                              |
| 3   | Wuxi Huaying     | 2.50                               | 1.79%                                              |
| 4   | Suzhou Huaying   | 2.50                               | 1.79%                                              |

The proceeds from the A2 round investment were RMB40.00 million. The considerations were determined by the parties based on fair value. Such shares have been allotted and issued in November 2013.

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On November 3, 2014, Changshu Huaying, Wuxi Huaying and Suzhou Huaying exited from Hangzhou Enniu by transferring all of their equity interest in Hangzhou Enniu, i.e., 1.60%, 3.39% and 3.39%, to Mr. Sun at a consideration of RMB6,255,652.93, RMB13,218,757.25 and RMB13,218,757.25, respectively. On November 13, 2014, Qingliu Capital exited from Hangzhou Enniu by transferring all of its 5% equity interest in Hangzhou Enniu to HCM 51CC Investments Limited, which was a shareholder of Hangzhou Enniu at a consideration of RMB120 million. The considerations for the exit of Changshu Huaying, Wuxi Huaying, Suzhou Huaying and Qingliu Capital from Hangzhou Enniu were determined by the parties based on fair value. As part of the reorganization in connection with the establishment of the Old Contractual Arrangements, in January 2015, Hainahua transferred its entire 20% equity interest in Hangzhou Enniu to Mr. Sun at a consideration of RMB420,000 and Sig China Investments Master Fund III, LLLP (“**Sig China**”), the offshore holding entity of Hainahua under the Old Contractual Arrangements, acquired 3,990,000 shares of U51.Com at a consideration of RMB420,000. On February 2, 2016, U51.Com Inc. entered into a share repurchase agreement with Sig China, pursuant to which U51.Com Inc. repurchased the entire 10.67% interest held by Sig China in U51.Com Inc. at a consideration of US\$94,101,312.41, and as a result, Sig China exited from U51.Com Inc. The consideration for the exit of Sig China was determined by the parties based on fair value.

In August 2014, we established U51.Com Inc. as the holding company under the Old Contractual Arrangements. The equity interests of the then existing shareholders of Hangzhou Enniu were largely reflected in U51.Com Inc. During the effective period of the Old Contractual Arrangements, the B round investment and the B1 round investment were made into U51.Com Inc in January and April 2015, respectively. For details about the B and B1 rounds investment, please refer to “— Investors’ Investments — Investments in U51.Com Inc.” At the end of 2015, we implemented a series of shareholding changes, including the termination of the Old Contractual Arrangements, and subsequently, the interests of the then existing shareholders of U51.Com Inc. were largely reflected in Hangzhou Enniu. The C round investment was made into Hangzhou Enniu in 2016.

### (iv) *C round investment*

From April 2016 to October 2016, the following investors entered into a series of investment agreements with Hangzhou Enniu, Mr. Sun, Pingxiang Jiniu Asset Management Partnership (Limited Partnership) (萍鄉紀牛資產管理合夥企業(有限合夥)) (“**Pingxing Jiniu**”) and Shanghai Qingniu for investing in Hangzhou Enniu (collectively, the “**C Round Investment Agreements**”), respectively. Pursuant to the C Round Investment Agreements, the following investors subscribed for the new registered capital of Hangzhou Enniu, thereby becoming shareholders of Hangzhou Enniu. The considerations were determined by the parties based on the valuation of Hangzhou Enniu. Such shares have been allotted and issued on at the closing of the C round investment on October 21, 2016.



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The proceeds from the C round investments were RMB2,660.856 million. The following table sets forth the consideration of the subscriptions and the shareholding percentages of the C round investment:

| No. | Shareholder                                                                                                                                     | Consideration (RMB in<br>ten thousands) | Equity interest<br>acquired post<br>completion (%) |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------|
| 1   | Beijing Tiantu Xingbei Investment Center<br>(Limited Partnership)<br>(北京天圖興北投資中心(有限合夥))<br>("Beijing Tiantu")                                   | 20,000.00                               | 3.2941%                                            |
| 2   | Shenzhen Tiantu Xingbang Investment<br>Enterprise (Limited Partnership)<br>(深圳天圖興邦投資企業(有限合夥))<br>("Shenzhen Tiantu")                            | 40,000.00                               | 6.5882%                                            |
| 3   | Qianhai Equity Investment Fund (Limited<br>Partnership) (前海股權投資基金(有限合夥))<br>("Qianhai Investment")                                              | 7,558.00                                | 1.2448%                                            |
| 4   | Xinhu Zhongbao Co., Ltd.<br>(新湖中寶股份有限公司) ("Xinhu<br>Zhongbao")                                                                                  | 67,558.00                               | 11.1271%                                           |
| 5   | Beijing Guojun Investment Co., Ltd.<br>(北京國俊投資有限公司) ("Guojun<br>Investment")                                                                    | 33,779.00                               | 5.5635%                                            |
| 6   | Beijing Harvest Yuanxin Investment Center<br>(Limited Partnership)<br>(北京嘉實元鑫投資中心(有限合夥))<br>("Harvest Investment")                              | 23,000.00                               | 3.7882%                                            |
| 7   | Hangzhou Xingxiaoying Investment<br>Partnership (Limited Partnership)<br>(杭州星效應投資合夥企業(有限合夥))<br>("Hangzhou Xingxiaoying")                       | 28,548.60                               | 4.7021% <sup>(1)</sup>                             |
| 8   | Beijing Huagai Chuangfu No.2 Equity<br>Investment Partnership (Limited Partnership)<br>(北京華蓋創富貳號股權投資合夥企業(有限<br>合夥)) ("Beijing Huagai Chuangfu") | 10,000.00                               | 1.6470%                                            |



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| No. | Shareholder                                                                                                                | Consideration (RMB in<br>ten thousands) | Equity interest<br>acquired post<br>completion (%) |
|-----|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------|
| 9   | Shanghai Jinglin Jinghui Equity Investment Center (Limited Partnership)<br>(上海景林景惠股權投資中心(有限合夥))<br>("Jinglin Investments") | 6,755.80                                | 1.1127%                                            |
| 10  | Shenzhen Guoxin Zhongchuang Equity Investment Fund (Limited Partnership)<br>(深圳市國信眾創股權投資基金(有限合夥))<br>("Guoxin Investment") | 6,000.00                                | 0.9882%                                            |
| 11  | Zhoushan Yingman Investment Partnership (Limited Partnership)<br>(舟山盈滿投資合夥企業(有限合夥))<br>("Zhoushan Yingman")                | 5,230.40                                | 0.8615%                                            |
| 12  | Beijing Hongtai Growth Venture Capital Investment Center (Limited Partnership)<br>(北京洪泰成長創業投資中心(有限合夥))<br>("Hongtai Fund") | 5,000.00                                | 0.8235%                                            |
| 13  | Shanghai Chiyi Investment Management Center (Limited Partnership)<br>(上海赤易投資管理中心(有限合夥)) ("Chiyi Investment")               | 3,715.69                                | 0.6120%                                            |
| 14  | Shanghai Weiyi Investment Management Center (Limited Partnership)<br>(上海未易投資管理中心(有限合夥))<br>("Weiyi Investment")            | 3,040.11                                | 0.5007%                                            |
| 15  | Xiamen Hanyun Ruochong Investment Partnership (Limited Partnership)<br>(廈門漢雲若沖投資合夥企業(有限合夥))<br>("Xiamen Hanyun")           | 3,000.00                                | 0.4941%                                            |
| 16  | Changzhou Gaoxintou Startup Investment Co., Ltd. (常州高新投創業投資有限公司)<br>("Changzhou Gaoxintou")                                | 2,000.00                                | 0.3294%                                            |
| 17  | Zhuhai Qingliu Xinyuan Equity Investment Center (Limited Partnership)<br>(珠海清流鑫源股權投資中心(有限合夥))<br>("Zhuhai Qingliu")        | 900.00                                  | 0.1482%                                            |

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- (1) In March 2017, Zhoushan Yingman, Hangzhou Xingxiaoying, Hangzhou Enniu and other relevant parties entered into the supplementary agreement to the investment agreement of Hangzhou Enniu, pursuant to which Zhoushan Yingman transferred its obligation to subscribe for the equity interest in Hangzhou Enniu, which amounts to an investment of RMB285,486,000, to Hangzhou Xingxiaoying at nil consideration. Hangzhou Xingxiaoying fulfilled such obligation by acquiring 4.7021% equity interest in Hangzhou Enniu in April 2017.

(v) *Beijing Tiantu's capital injection to Hangzhou Enniu*

In September 2017, pursuant to the C Round Investment Agreements, Beijing Tiantu exercised its warrant rights to make an additional investment of RMB168,895,000 in Hangzhou Enniu based on the appraisal value of Hangzhou Enniu of RMB6,071,511,803.81 upon the completion of the C round investment, thereby acquiring an additional equity interest of 2.7065% in Hangzhou Enniu. The consideration was determined by the parties based on fair value. Such shares were allotted and issued in September 2017.

(vi) *Subscription of interest in Hangzhou Enniu by Fanshan Jinshi*

In November 2017, Fanshan Jinshi entered into a capital injection agreement with Hangzhou Enniu, pursuant to which Fanshan Jinshi acquired 1.9560% equity interest in Hangzhou Enniu upon the completion of such capital injection by contributing its 25% equity interest in Shouhui Kaizhuo (valued at RMB150 million) as the consideration. The consideration was determined between Fanshan Jinshi and Hangzhou Enniu based on fair value. The capital injection has been completed and Fanshan Jinshi has been registered as a shareholder of Hangzhou Enniu with the relevant administration and industry authority in accordance with PRC laws in November 2017. The acquisition of the entire interest in Shouhui Kaizhuo was closed as of December 2017 as disclosed in “— Historical Acquisition — Acquisition of Shouhui Kaizhuo”, and therefore the consideration for the capital injection has been irrevocably settled.

For details of the issuance of shares to Fanshan Jinshi's overseas holding entity by the Company as part of the reorganization, please refer to “— Corporate Reorganization — 1. Establishment of the Company and Major Shareholding Changes — (2) Major Shareholding Changes of the Company”.

(2) *Investments in U51.Com Inc.*

(i) *B round investment*

After the Old Contractual Arrangements were entered into, GGV Capital V L.P., GGV Capital V Entrepreneurs Fund L.P., JD.com E-Commerce (Investment) Hong Kong Corporation Limited, Red Better Limited, Shunwei Internet Limited and Sig China Investments Master Fund III, LLP entered into a share subscription agreement with U51.Com Inc. and other relevant parties on November 20, 2014 and subscribed for a total of 7,039,389 preference shares of U51.Com. Inc. at a price of US\$3.8095 per share for a consideration of US\$26,816,720.

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The proceeds from the B round investment were US\$21,816,721. The considerations were determined by the parties based on fair value. Such shares were allotted and issued in January 2015. The following table sets forth the consideration of the subscriptions and the shareholding percentages of the B round investment:

| No. | Name of investor                                                            | Consideration (in US\$) | Interest acquired<br>post completion<br>(%) |
|-----|-----------------------------------------------------------------------------|-------------------------|---------------------------------------------|
| 1   | GGV Capital V L.P.                                                          | 11,092,890.91           | 10.52%                                      |
| 2   | GGV Capital V Entrepreneurs Fund L.P.                                       | 407,109.09              | 0.39%                                       |
| 3   | JD.com E-Commerce (Investment) Hong Kong Corporation Limited <sup>(1)</sup> | 3,808,361.00            | 4.29%                                       |
| 4   | Red Better Limited                                                          | 1,904,180.00            | 2.14%                                       |
| 5   | Shunwei Internet Limited                                                    | 1,904,180.00            | 2.14%                                       |
| 6   | Sig China Investments Master Fund III, LLP                                  | 2,700,000.00            | 2.18%                                       |

(ii) *B1 round investment*

On April 16, 2015, Taichang Investment Limited entered into a share subscription agreement with U51.Com Inc. and its then shareholders and other relevant parties, pursuant to which it was agreed that Taichang Investment Limited shall be entitled to subscribe for a total of 4,891,982 preference shares, equivalent to 13.08% interest in U51.Com Inc., at a price of US\$10.2208 per share for a consideration of US\$50 million. The consideration was determined by the parties based on fair value. Such shares were allotted and issued in April 2015.

On February 2, 2016, U51.Com Inc. entered into a share repurchase agreement with each of GGV Capital V L.P., GGV Capital V Entrepreneurs Fund L.P., JD.com E-Commerce (Investment) Hong

*Note:*

- (1) As part of the restructuring of the Group in February 2016 to terminate Old Contractual Arrangements and to consolidate our interests in Hangzhou Enniu, JD.com E-Commerce (Investment) Hong Kong Corporation Limited exited from U51.Com Inc. on February 2, 2016 by entering into a share repurchase agreement with U51.Com Inc. and such investor then reflected its interest in U51.Com Inc. to Hangzhou Enniu by entering into a capital increase agreement with Hangzhou Enniu on March 31, 2016. For further information, please refer to “— Investors’ Investments — 1. Overview — (2) Investments in U51.Com Inc.”. On December 31, 2017, as part of the reorganization of the Group in preparation of the Listing and as Jingdong Financial and Suqian Tianying, the domestic holding entities of such investor did not make any actual contribution to Hangzhou Enniu, Jingdong Financial and Suqian Tianying divested from Hangzhou Enniu and such investor then reflected their equity interest in Hangzhou Enniu to the Company in the capital reorganization carried out on November 22, 2017. The investment of JD.com E-Commerce (Investment) Hong Kong Corporation Limited in our Company is currently held through Sherry Beauty Limited. For further information, please refer to “— Corporate Reorganization — 1. Establishment of the Company and Major Shareholding Changes — (2) Major Shareholding Changes of the Company”.

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Kong Corporation Limited, Red Better Limited, Shunwei Internet Limited, Sig China Investments Master Fund III, LLP and Taichang Investment Limited, pursuant to which U51.Com Inc. repurchased all of their interests in U51.Com. Inc., i.e., 9.14%, 0.34%, 3.73%, 1.86%, 1.86%, 1.90% and 13.08%, at a consideration of US\$69,229,739.33, US\$2,540,720.04, US\$8,000,000.00, US\$4,000,000.00, US\$22,594,084.57, US\$94,101,312.41 and US\$50,000,000.00, respectively, and as a result, such shareholders exited from U51.Com Inc. The considerations for the exit of such shareholders were determined by the parties based on fair value.

### (3) *Investments in the Company*

Since September 2017, in preparation of the Listing, we underwent a series of corporate reorganizations, including the establishment of our Company, the implementation of the relevant shareholding changes, the domestic reorganization and the entering into of the contractual arrangements. The equity interest of the existing shareholders of Hangzhou Enniu was largely reflected in the shareholding structure of the Company. In addition, the Company received the capital injection of 51 Xihu L.P. in November 2017.

#### (i) *51 Xihu L.P.'s capital injection to the Company*

On November 17, 2017, 51 Xihu L.P. subscribed for 5,035,500 ordinary shares with a par value of US\$0.0001, equivalent to 26.45% interest in the Company, at a consideration of US\$50 million (equivalent to RMB337,790,000) at the price of US\$9.9295 per share. In November 2017, such shares were allotted and issued. For details of 51 Xihu L.P.'s capital injection to the Company, please refer to “— Corporate Reorganization — 1. Establishment of the Company and Major Shareholding Changes — (2) Major Shareholding Change of the Company”.

The proceeds from the 51 Xihu L.P.'s capital injection were US\$50 million (equivalent to RMB337,790,000). The consideration was determined by the parties based on the valuation of Hangzhou Enniu upon the completion of the C round investment.

In respect of the investors' investments, we and the investors entered into investment agreements and shareholders' agreements at the time of the respective investments.

## 2. *Information relating to investors*

Tiantu Investments Limited, a limited liability company established under the laws of the British Virgin Islands, is wholly-owned by Tiantu Advisory Company Limited (天圖諮詢有限公司), a limited liability company established under the laws of Hong Kong. Tiantu Xingbei Investments Limited Company, a company established under the laws of the Cayman Islands, is owned as to 18% by Tiantu Investments International Limited (天圖投資國際有限公司), a limited liability company established under the laws of Hong Kong, and is owned as to 82% by Sky Dragon Management Limited, a limited liability company established under the laws of the British Virgin Islands and wholly-owned by Mr. Xu Xiaosheng (許小勝). Tiantu China Consumer Fund I, LP, a limited partnership established under the laws of the Cayman Islands, was jointly established by Tiantu Executive Partnership, LP, a limited partnership established under the laws of the Cayman Islands, as its limited partner and Tiantu Capital

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Management Company, a limited liability company established under the laws of the Cayman Islands, as its manager. Tiantu Capital Management Company is wholly-owned by Tiantu Advisory Company Limited. Tiantu Advisory Company Limited is a limited partner of Tiantu Executive Partnership, LP.

Tiantu Advisory Company Limited (天圖諮詢有限公司) and Tiantu Investments International Limited (天圖投資國際有限公司) are the overseas investment platforms of Shenzhen Tiantu Investment Management Co., Ltd. (深圳市天圖投資管理股份有限公司), a company established in the PRC and listed on the National Equities Exchange and Quotations (stock code: 833979) (“**Shenzhen Tiantu Investments**”). Shenzhen Tiantu Investment is a limited liability company established under the laws of PRC, which is principally engaged in the management of private equity investment funds and is a leading private equity investment institution focusing on consumer goods investment.

MSK XF Holding Ltd, a limited liability company incorporated under the laws of the British Virgin Islands) is wholly-owned by Ms. Kuang Siwei (況斯薇). MSK XF Holding Ltd is an overseas investment platform of Tibet Lingfeng Xinfu Venture Capital Partnership (Limited Partnership) (西藏領風鑫服創業投資合夥企業(有限合夥)) (“**Tibet Lingfeng**”). Tibet Lingfan Xinfu Venture Capital Partnership (Limited Partnership) is a limited partnership established under the laws of PRC and invests primarily in consumer finance and financial technology.

LF Alpha Ltd, a limited liability company established under the laws of the British Virgin Islands, is wholly-owned by Lingfeng Capital Partners Fund I, LP. Lingfeng Capital Partners Fund I, LP is a limited partnership established under the laws of the Cayman Islands.

Achieve Success Technology Development Limited, a limited liability company established under the laws of the British Virgin Islands, is wholly-owned by Mr. Lin Feng (林峰). Achieve Success Technology Development Limited is an overseas investment platform of Hangzhou Lingfeng Xinqi Venture Capital Partnership (Limited Partnership) (杭州領風鑫祺創業投資合夥企業(有限合夥)), which is a limited partnership established under the laws of PRC and invests primarily in consumer finance and financial technology.

Action Chain International Limited is a limited liability company established under the laws of the British Virgin Islands, which is wholly-owned by Mr. Shen Guojun (沈國軍). Action Chain International Limited is an overseas investment platform of Beijing Guojun Investment Co., Ltd. (北京國俊投資有限公司). Beijing Guojun Investment Co., Ltd. is a limited liability company established under the laws of PRC, which is wholly-owned by Mr. Shen Guojun (沈國軍) and has a diversified investment business, focusing mainly on investment in the areas, including financial technology, smart tourism, life and health.

Claymore Partners II Trust is a trust established by Ms. Chou Ching (周靜), which holds an interest in the Company.

Sherry Beauty Limited is a limited liability company established under the laws of the British Virgin Islands, which is a wholly-owned subsidiary of JD.com Investment Limited (a company established under the laws of the British Virgin Islands) and holds interest in the Company as

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designated by Beijing Jingdong Financial Technology Holdings Co., Ltd. (北京京東金融科技控股有限公司). Beijing Jingdong Financial Technology Holdings Co., Ltd. is a limited liability company established under the PRC laws, positioned as a technology company serving financial institutions, shareholders of which are Harvest Fund, Sequoia Capital, Taiping Insurance, etc.

Red Better Limited is a limited liability company established under the laws of the British Virgin Islands, which is a wholly-owned subsidiary of Fast Pace Limited (a company established under the laws of the British Virgin Islands) and Fast Pace Limited is wholly-owned by Xiaomi Corporation. Red Better Limited is an overseas investment platform of Xiaomi Corporation, which is a limited liability company established under the laws of the Cayman Islands.

Taichang Investment Limited is a limited liability company established under the laws of the British Virgin Islands and Tai Shun Holdings Ltd is a company established under the laws of the Cayman Islands. Taichang Investment Limited and Tai Shun Holdings Ltd are wholly-owned subsidiaries of Hong Kong Xinhui Investment Co., Ltd. (a company established under the laws of Hong Kong), and Hong Kong Xinhui Investment Co., Ltd. is wholly-owned by Xinhui Zhongbao Co. Ltd. (新湖中寶股份有限公司). Taichang Investment Limited and Tai Shun Holdings Ltd are the overseas investment platforms of Xinhui Zhongbao Co., Ltd. (新湖中寶股份有限公司), which is a limited liability company established under the laws of PRC, which was listed on the Shanghai Stock Exchange in 1999 (stock code: 600208) and is principally engaged in real estate and finance.

51 Xinhui LP is a limited partnership established under the laws of the Cayman Islands, which is jointly established by Tai Yong Holdings Limited, a wholly-owned subsidiary of Xinhui Zhongbao Co., Ltd. (新湖中寶股份有限公司) and Rising Sun, among which Rising Sun is a general partner and Tai Yong Holdings Limited is a limited partner.

Qianhai Ark (Cayman) Investment Co. Limited (前海方舟(開曼)投資有限公司) is a limited liability company established under the laws of the Cayman Islands and is a wholly-owned subsidiary of Qianhai Ark (International) Co., Ltd. (前海方舟(國際)有限公司) (a company established under the laws of Hong Kong). Qianhai Ark (International) Co., Ltd. (前海方舟(國際)有限公司) is wholly-owned by Qianhai Mother Fund Equity Investment (Shenzhen) Co., Ltd. (前海母基金股權投資(深圳)有限公司), which is held by Qianhai Equity Investment Fund (Limited Partnership) (前海股權投資基金(有限合夥)) (a limited partnership established under the laws of PRC) as to 99% and by Qianhai Fangzhou Asset Management Co., Ltd. as to 1%. Qianhai Ark (Cayman) Investment Co. Limited (前海方舟(開曼)投資有限公司) is an overseas investment platform of Qianhai Equity Investment Fund (Limited Partnership) (前海股權投資基金(有限合夥)). Qianhai Equity Investment Fund (Limited Partnership) (前海股權投資基金(有限合夥)) has gathered powerful and influential investors with interactive resources currently in China, and is mainly engaged in equity investment in parent fund business and venture capital business.

Chung Taw Smart Card Investment Limited is a limited liability company established under the laws of the British Virgin Islands and is a subsidiary and an overseas investment platform of Pingxiang Zhongda Zhixin Investment Management Partnership (Limited Partnership) (萍鄉中達智信投資管理合夥企業(有限合夥)). Chung Taw Smart Card Investment Limited is a company established under the laws of PRC. Its main business includes equity investment, equity investment fund management and equity investment consulting.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Aplus U51 Holdings Limited is a limited liability company established under the laws of the British Virgin Islands and is wholly-owned by Mr. Sheng Xitai (盛希泰), a senior investment banker and a well-known investor.

HGEH Capital Holdings Limited (“**HGEH Capital**”) is a limited liability company established under the laws of the British Virgin Islands and is a wholly-owned subsidiary of HGEH Capital HK Holdings Limited (華蓋創富貳號(香港)控股有限公司) (“**HGEH Capital HK**”, a company established under the laws of Hong Kong). HGEH Capital HK is an overseas investment platform held by Beijing Huagai Chuangfu No.2 Equity Investment Partnership (Limited Partnership) (北京華蓋創富貳號股權投資合夥企業(有限合夥)), a limited partnership established under the law of PRC), which is managed as a fund manager and controlled by Huagai Venture Capital Management (Beijing) Co., Ltd. (華蓋創業投資管理(北京)有限公司) (“**Huagai Venture Capital**”, a company established under the laws of PRC). HGEH Capital HK is controlled by Huagai Venture Capital. Huagai Venture Capital is a wholly-owned subsidiary of Huagai Capital Co., Ltd. (“**Huagai Capital**”, a company established under the laws of PRC), and HGEH Capital is the overseas investment platform which is ultimately held by Huagai Capital.

Huagai Capital is a private equity investment management institution established by senior professionals from well-known domestic and overseas investment institutions and focuses on the private equity investment business. Huagai Capital adheres to the concept of value investment and focuses on TMT, healthcare, and cultural fields. It has initiated the establishment and management of multiple funds.

Grand Genesis Enterprises Corporation is a limited liability company established under the law of the British Virgin Islands, which is wholly-owned by Mr. Wang Yawei (王亞偉). Grand Genesis Enterprises Corporation is designated by Shanghai Chiyi Investment Management Center (Limited Partnership) (上海赤易投資管理中心(有限合夥)) and Shanghai Weiyi Investment Management Center (Limited Partnership) (上海未易投資管理中心(有限合夥)) to hold interest in the Company. Shanghai Chiyi Investment Management Center (Limited Partnership) (上海赤易投資管理中心(有限合夥)) and Shanghai Weiyi Investment Management Center (Limited Partnership) (上海未易投資管理中心(有限合夥)) are limited partnerships established under the laws of PRC and mainly invest in information technology, medicine and financial technology and other fields.

Chan Kai Ming is designated by Xiamen Hanyun Investment Management Co., Ltd. (廈門漢雲投資管理有限公司) (“**Xiamen Hanyun**”) to hold interest in the Company. Xiamen Hanyun is a well-known institution focusing on equity investment in technology and advanced manufacturing industries.

Grassland Bakery Inc. is a limited liability company established under the laws of the Cayman Islands, which is wholly-owned by Mr. Xu Yitian (許毅天). Its principal activities include business investment, investment management, and industrial investment.

Harvest Yuanxin Holdings Limited is a limited liability company established under the laws of the British Virgin Islands and is an overseas subsidiary of Beijing Harvest Yuanxin Investment Center (Limited Partnership) (北京嘉實元鑫投資中心(有限合夥)), a partnership private equity fund managed by Harvest Investment Management Co., Ltd. (嘉實投資管理有限公司), a company



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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established under the laws of PRC), and Harvest Investment Management Co., Ltd. (嘉實投資管理有限公司) is a private equity fund management company established in mainland China by Harvest Investments Managements Company Limited, a company established under the laws of Hong Kong, which mainly focuses on emerging technologies, healthcare and other areas of investment, with its current scale of assets under management of nearly RMB20 billion.

Gold Bull Investment Holding Inc. is a limited liability company established under the laws of the British Virgin Islands, which is an overseas investment platform of Hangzhou Xingxiaoying Investment Partnership (Limited Partnership) (杭州星效應投資合夥企業(有限合夥)), a limited partnership established under the laws of PRC. The executive partner of Hangzhou Xingxiaoying Investment Partnership (Limited Partnership) (杭州星效應投資合夥企業(有限合夥)) is Zhejiang Fancheng Asset Management Co., Ltd. (浙江泛城資產管理有限公司), which is a venture capital company focusing on new technologies, with its main investment directions being blockchain, artificial intelligence, internet of things, new consumption, and new culture.

### Background relating to the Old Contractual Arrangements

In 2014, in order to comply with the relevant provisions of the PRC laws and regulations in respect of foreign investment restrictions and to attract further investments from the international capital market to support our developing businesses, we have carried out a series of changes to consolidate our interests in Hangzhou Enniu. In August 2014, Mr. Sun established U51.Com Inc. as the holding company and its wholly-owned Hong Kong subsidiary, U51.Com Limited. In December 2014, U51.Com Limited set up Kebeisi and Kabiniu as wholly foreign-owned enterprises in the PRC. In January 2015, Hangzhou Enniu and Hangzhou Wuyao, as domestic operating companies, entered into contractual arrangements with Kebeisi and Kabiniu (and their respective equity holders) and other related parties (“**Old Contractual Arrangements**”), respectively.

The effect of the Old Contractual Arrangements was to consolidate the operating businesses and financial results of Kebeisi and Kabiniu into those of U51.Com Inc. Pursuant to the Old Contractual Arrangements, U51.Com Inc. obtained the actual control of Hangzhou Enniu and Hangzhou Wuyao.

We carried out a series of changes in 2016 and terminated the Old Contractual Arrangements entered into by Kebeisi and Kabiniu with Hangzhou Enniu and Hangzhou Wuyao, respectively in February 2016. In November 2016, Hangzhou Enniu entered into an equity transfer agreement with U51.Com Limited, whereby U51.Com Limited transferred its 100% interest in Kabiniu to Hangzhou Enniu at a consideration of US\$3,023,380,000, and such equity transfer was completed in November 2016. In February 2016, each of Mr. Sun, Yin Pengxiang (殷鵬翔) and Wang Yongjun (汪擁軍) entered into equity transfer agreements with Hangzhou Enniu, respectively, whereby Mr. Sun, Mr. Yin Pengxiang and Mr. Wang Yongjun transferred their 100% equity interests in Hangzhou Wuyao to Hangzhou Enniu, and such equity transfer was completed in February 2016. In August 2017, Hangzhou Enniu entered into an equity transfer agreement with U51. Com Limited, whereby U51.Com Limited transferred its 100% interest in Kebeisi to Hangzhou Enniu at a consideration of RMB342,270,386, and such equity transfer was completed in August 2017.

For details of the Company’s Old Contractual Arrangements, please refer to “Contractual Arrangements”.

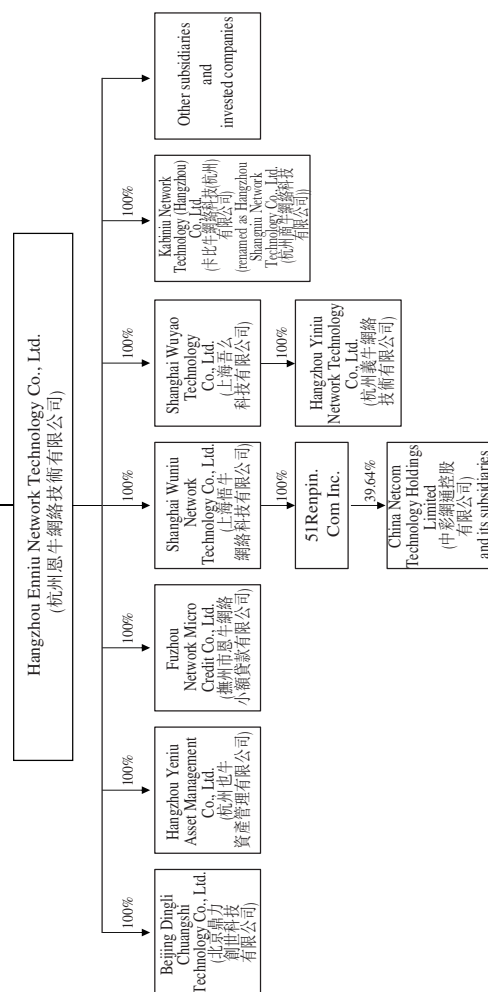
# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

## Corporate Reorganization

In preparation for the Listing, since September 2017, we have carried out a series of equity restructuring, including the establishment of the Company and the implementation of relevant changes in equity of the Company, the domestic reorganization and the entering into of contractual arrangements in respect of Hangzhou Enniu, which were completed on December 31, 2017.

## Corporate structure immediately before the commencement of the reorganization

Our domestic corporate and shareholding structure immediately before the commencement of reorganization is as follow:



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (1) Pingxiang Jiniu (萍鄉紀牛) is a limited partnership established under the PRC laws, with Mr. Sun Haitao (孫海濤) serving as its general partner. Pingxiang Shiniu Asset Management Partnership (L.P.) (萍鄉世牛資產管理合夥企業(有限合夥)) is the limited partner of Pingxiang Jiniu (萍鄉紀牛).
- (2) Shanghai Qingniu (上海卿牛) is a limited partnership established under the PRC laws, with Mr. Sun Haitao (孫海濤) serving as its general partner. Mr. Wang Yongjun (汪擁軍) and Tianjin Kaniu Asset Management Partnership (L.P.) (天津卡牛資產管理合夥企業(有限合伙)) are the limited partners of Shanghai Qingniu (上海卿牛).
- (3) Pingxiang Yigengniu (萍鄉益耕牛) is a limited partnership established under the PRC laws, with Mr. Sun Haitao (孫海濤) serving as its general partner. Mr. Wang Yongjun (汪擁軍) is the limited partner of Pingxiang Yigengniu (萍鄉益耕牛).
- (4) Pingxiang Yijinniu (萍鄉益金牛) is a limited partnership established under the PRC laws, with Mr. Sun Haitao (孫海濤) serving as its general partner. Mr. Wang Yongjun (汪擁軍) is the limited partner of Pingxiang Yijinniu (萍鄉益金牛).
- (5) Pingxiang Yimengniu (萍鄉益猛牛) is a limited partnership established under the PRC laws, with Mr. Sun Haitao (孫海濤) serving as its general partner. Mr. Wang Yongjun (汪擁軍) is the limited partner of Pingxiang Yimengniu (萍鄉益猛牛).
- (6) Pingxiang Yiniu (萍鄉益牛) is a limited partnership established under the PRC laws, with Mr. Sun Haitao (孫海濤) serving as its general partner. Mr. Wang Yongjun (汪擁軍) is the limited partner of Pingxiang Yiniu (萍鄉益牛).
- (7) An investor of Hangzhou Enniu and an independent third party.

### 1. Establishment of the Company and Major Shareholding Changes

#### (1) *Establishment of the Company*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 20, 2017 and is the ultimate holding company of the Group. The authorized share capital of the Company after incorporation was US\$50,000, divided into 500,000,000 shares of a nominal value of US\$0.0001 each.

#### (2) *Major Shareholding Changes of the Company*

- (i) On September 20, 2017, Mr. Sun set up a wholly-owned subsidiary, Rising Sun Limited (“**Rising Sun**”), a company incorporated in the Cayman Islands as an exempted company with limited liability. On September 26, 2017, the Company issued an aggregate of 14,002,899 shares of a nominal value of US\$0.0001 each at a total consideration of US\$1,400.2899 to Rising Sun to reflect Mr. Sun’s interests in the Company.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The Company's shareholding structure as of September 26, 2017 was as follows:

| Name of Shareholder          | Number of<br>ordinary shares of<br>a nominal value of<br>US\$0.0001 each | Shareholding (%)      |
|------------------------------|--------------------------------------------------------------------------|-----------------------|
| Rising Sun Limited . . . . . | 14,002,900                                                               | 100.00%               |
| <b>Total . . . . .</b>       | <b><u>14,002,900</u></b>                                                 | <b><u>100.00%</u></b> |

In November 2017, Mr. Sun, as the settlor, set up a family trust with himself as the beneficiary, and on November 15, 2017, Mr. Sun gifted all of his shares in Rising Sun to Wukong Ltd. (a business company with limited liabilities established under the laws of the British Virgin Islands), the holding entity of such family trust, which indirectly held 11.2397% interest in the Company as of the Latest Practicable Date.

- (ii) As part of the establishment of an offshore shareholding structure by the shareholders of Hangzhou Enniu, on November 10, 2017, Rising Sun transferred 1,496,700 shares of the Company to HGEH Capital Holdings Limited, an offshore holding entity of Beijing Huagai Chuangfu, which is a shareholder of Hangzhou Enniu, at a consideration of RMB100 million, and the price per share was RMB66.8137. Meanwhile, Beijing Huagai Chuangfu transferred its 1.6025% equity interest in Hangzhou Enniu to Hangzhou Mengniu Real Estate Brokers Ltd. (杭州盟牛房地產經紀有限公司). The aforesaid offshore share transfer was completed on November 10, 2017, whereby HGEH Capital Holdings Limited has become a shareholder of the Company. The aforesaid domestic share transfer was completed on November 20, 2017.

On November 10, 2017, Rising Sun transferred 498,600 shares of the Company to LF Alpha Limited, an offshore holding entity of Hangzhou Lingfeng Xinqi Startup Investments Partnership (Limited Partnership) (杭州領風鑫祺創業投資合夥企業(有限合夥)), which is a shareholder of Hangzhou Enniu, at a total consideration of US\$7,890,719.94, and the price per share was US\$15.826.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The Company's shareholding structure immediately after the aforesaid share transfer was as follows:

| Name of Shareholders                    | Number of<br>ordinary Shares of<br>a nominal value of<br>US\$0.0001 each | Shareholding (%)      |
|-----------------------------------------|--------------------------------------------------------------------------|-----------------------|
| Rising Sun Limited . . . . .            | 12,007,600                                                               | 85.75%                |
| HGEH Capital Holdings Limited . . . . . | 1,496,700                                                                | 10.69%                |
| LF Alpha Limited . . . . .              | 498,600                                                                  | 3.56%                 |
| <b>Total . . . . .</b>                  | <b><u>14,002,900</u></b>                                                 | <b><u>100.00%</u></b> |

- (iii) On October 13, 2017, Tai Yong Holdings Limited, a wholly-owned subsidiary of Xinhua Zhongbao, which is a shareholder of Hangzhou Enniu, entered into the Limited Partnership Agreement with Rising Sun to jointly establish 51 Xinhua L.P. (a limited partnership established under the laws of the Cayman Islands), in which Rising Sun serves as the general partner and Tai Yong Holdings Ltd serves as the limited partner. On November 17, 2017, Tai Yong Holdings Limited and Rising Sun amended the Limited Partnership Agreement, and 51 Xinhua L.P. subscribed 5,035,500 shares of a nominal value of US\$0.0001 from the Company representing 26.45% interest in the Company on the same date, at a consideration of US\$50 million (equivalent to RMB337,790,000), and the price per share was US\$9.9295. On November 20, 2017, the allotment of shares was completed. For details of the Limited Partnership Agreement, please refer to the "Relationship with Our Controlling Shareholders — Limited Partnership Agreement".

The Company's shareholding structure after the aforesaid disposal was as follows:

| Name of Shareholder                     | Number of<br>ordinary Shares of<br>a nominal value of<br>US\$0.0001 each | Shareholding (%)      |
|-----------------------------------------|--------------------------------------------------------------------------|-----------------------|
| Rising Sun Limited . . . . .            | 12,007,600                                                               | 63.07%                |
| HGEH Capital Holdings Limited . . . . . | 1,496,700                                                                | 7.86%                 |
| LF Alpha Limited . . . . .              | 498,600                                                                  | 2.62%                 |
| 51 Xinhua L.P. . . . .                  | 5,035,500                                                                | 26.45%                |
| <b>Total . . . . .</b>                  | <b><u>19,038,400</u></b>                                                 | <b><u>100.00%</u></b> |

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (iv) For the completion of the establishment of the offshore shareholding structure, on November 22, 2017, the Company carried out the capital reorganization. All of the relevant Shareholders who participated in the capital reorganization acquired the Company's Shares in order to reflect their respective associates' equity interests in Hangzhou Enniu to the Company. Meanwhile, the Company reclassified all of its issued Shares into Class A Ordinary Shares, Class B Ordinary Shares, as well as Series A1, Series A2, Series B, Series B1 and Series C Preference Shares. All of the Shareholders jointly signed the Shareholders' Agreement and the Company amended its Articles of Association.
- (v) On March 18, 2018, our Shareholders resolved to divide the Company's each issued ordinary share and preferred share of a nominal value of US\$0.0001 into 10 original Shares and Preference Shares of a nominal value US\$0.00001 each, so that the authorized share capital of the Company of US\$50,000 would be divided into 5,000,000,000 Shares of a nominal value of US\$0.00001 each, and its issued share capital (including certain Preference Shares which were reclassified and re-designated as ordinary Shares on the Listing Date) was US\$9,813.67, divided into 981,367,000 Shares of a nominal value of US\$0.00001 each. On March 18, 2018, the Company amended the Shareholders' Agreement accordingly.
- (vi) On March 19, 2018, our Shareholders resolved to issue 43,478,261 Class A Ordinary Shares of a nominal value of US\$0.00001 each to 51 Award Limited, the holding entity for 51 Award Scheme and 51 Stock Limited, the holding entity for 51 Stock Scheme, respectively, at a consideration of US\$434.78261, respectively. On March 19, 2018, the Company amended the Shareholders' Agreement accordingly.
- (vii) In December 2017, our acquisition of Shouhui Kaizhuo has been closed. For details of the acquisition, please refer to the "Historical acquisition — The Acquisition of Shouhui Kaizhuo". In November 2017, Fanshan Jinshi completed its subscription of new shares of Hangzhou Enniu and acquired 1.9560% equity interest in Hangzhou Enniu. For details of the subscription of new shares of Hangzhou Enniu by Fanshan Jinshi, please refer to "— Investors' Investments — (1) Investments in Hangzhou Enniu — (v) Subscription of shares of Hangzhou Enniu by Fanshan Jinshi".

On October 12, 2017, Yaku Shikong filed an application to the PBOC for the change of de facto controller in respect of its payment business license. As of the Latest Practicable Date, no written approval has been received by Yaku Shikong. Therefore, when implementing the relevant shareholding changes to reflect the domestic shareholding structure of Hangzhou Enniu, as part of the reorganization, the Company did not issue Shares to the offshore holding entity designated by Fanshan Jinshi. On December 7, 2017, Hangzhou Enniu, Fanshan Jinshi and other related parties entered into a supplementary agreement to the Shouhui Kaizhuo Acquisition Agreement in respect of the change of de facto controller of the payment business license, pursuant to which it was agreed that unless with the consent of the Company, the Company will not issue any of its Shares to the offshore holding entity designated by Fanshan Jinshi before Yaku Shikong has completed the filing of the change of de facto controller in respect of its payment business license to the PBOC. In case that the Company agrees to issue Shares to the offshore holding entity

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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designated by Fanshan Jinshi before the receipt of approval from the PBOC, then from the date that the Company issues Shares to the offshore holding entity designated by Fanshan Jinshi until the receipt of approval from the PBOC, the voting rights of such Shares shall only be granted to Mr. Sun or Rising Sun, and the share certificates of such Shares will be kept by the designated person of the Company, and the offshore holding entity designated by Fanshan Jinshi shall not enter into any transaction for such Shares. No further consideration is payable by Fanshan Jinshi to us upon issuance of Shares by our Company to the offshore holding entity designated by Fanshan Jinshi. As of the Latest Practicable Date, Fanshan Jinshi does not hold any interest in the Company through its offshore holding entity. Assuming the Shares of the Company is issued to the offshore holding entity of Fanshan Jinshi pursuant to the terms of the above-mentioned supplementary agreement immediately after the completion of the Global Offering, Fanshan Jinshi will be interested in 1.5455% of the total share capital of the Company through its offshore holding entity (assuming the Over-allotment Option is not exercised and on the basis that all the Preference Shares and Class B Ordinary Shares are converted into our Shares on a one-for-one basis).

Meanwhile, with respect to Fanshan Jinshi's capital injection to Hangzhou Enniu, it was agreed in the supplementary agreement that before the completion of filing with the PBOC and without the consent of Hangzhou Enniu, Fanshan Jinshi shall not dispose in any way of its equity interest in Hangzhou Enniu, and without the consent of Hangzhou Enniu, Fanshan Jinshi shall not exercise any of its shareholder rights and shall only exercise its shareholder rights and perform its shareholder obligations in accordance with the instructions of Hangzhou Enniu.



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The following table sets forth the capitalization summary of the Company after the completion of the changes in interests as mentioned in items (i) to (vii) above.

| Shareholders                                                                    | Ordinary<br>Shares of a<br>nominal value<br>of US\$0.00001<br>each | Class A<br>Ordinary<br>Shares | Class B<br>Ordinary<br>Shares | Series A1<br>Preference<br>Shares | Series A2<br>Preference<br>Shares | Series B<br>Preference<br>Shares | Series B1<br>Preference<br>Shares | Series C<br>Preference<br>Shares | Shareholding<br>as at the date<br>of this<br>Prospectus <sup>(1)</sup> | Shareholding<br>as at the<br>Listing<br>Date <sup>(2)</sup> |
|---------------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------|-------------------------------|-----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|------------------------------------------------------------------------|-------------------------------------------------------------|
|                                                                                 |                                                                    |                               |                               |                                   |                                   |                                  |                                   |                                  |                                                                        |                                                             |
| Rising Sun Limited . . . . .                                                    | 120,076,000                                                        | 120,076,000                   | —                             | —                                 | —                                 | —                                | —                                 | —                                | 11.2397%                                                               | 10.1157%                                                    |
| 51 Stock Limited <sup>(3)</sup> . . . . .                                       | 112,341,261                                                        | 112,341,261                   | —                             | —                                 | —                                 | —                                | —                                 | —                                | 10.5157%                                                               | 9.4641%                                                     |
| 51 Award Limited <sup>(3)</sup> . . . . .                                       | 102,060,261                                                        | 102,060,261                   | —                             | —                                 | —                                 | —                                | —                                 | —                                | 9.5533%                                                                | 8.5980%                                                     |
| Sherry Beauty Limited . . . . .                                                 | —                                                                  | —                             | —                             | 10,804,000                        | 7,956,000                         | 31,110,000                       | —                                 | —                                | 4.6681%                                                                | 4.2013%                                                     |
| Red Better Limited . . . . .                                                    | —                                                                  | —                             | —                             | 5,402,000                         | 3,978,000                         | 15,555,000                       | —                                 | —                                | 2.3340%                                                                | 2.1006%                                                     |
| Taichang Investment Limited . .                                                 | —                                                                  | —                             | —                             | —                                 | —                                 | —                                | 109,217,000                       | —                                | 10.2232%                                                               | 9.2009%                                                     |
| Claymore Partners II Trust . . .                                                | 26,512,000                                                         | —                             | 26,512,000                    | —                                 | —                                 | —                                | —                                 | —                                | 2.4816%                                                                | 2.2335%                                                     |
| Tiantu Xingbei Investments<br>Limited Company . . . . .                         | —                                                                  | —                             | —                             | —                                 | —                                 | —                                | —                                 | 55,213,000                       | 5.1682%                                                                | 4.6514%                                                     |
| Tiantu Investment Limited . . .                                                 | 27,468,000                                                         | 27,468,000                    | —                             | —                                 | —                                 | —                                | —                                 | 67,860,000                       | 8.9231%                                                                | 8.0308%                                                     |
| Qianhai Ark(Cayman)<br>Investment Co. Limited<br>(前海方舟(開曼)投資有限公<br>司) . . . . . | —                                                                  | —                             | —                             | —                                 | —                                 | —                                | —                                 | 11,312,000                       | 1.0589%                                                                | 0.9530%                                                     |
| Tai Shun Holdings Ltd . . . . .                                                 | —                                                                  | —                             | —                             | —                                 | —                                 | —                                | —                                 | 101,114,000                      | 9.4647%                                                                | 8.5183%                                                     |
| 51 Xinhua L.P. . . . .                                                          | —                                                                  | —                             | —                             | —                                 | —                                 | —                                | —                                 | 50,355,000                       | 4.7135%                                                                | 4.2421%                                                     |
| Chung Taw Smart Card<br>Investment Limited . . . . .                            | —                                                                  | —                             | —                             | —                                 | —                                 | —                                | —                                 | 8,980,000                        | 0.8406%                                                                | 0.7565%                                                     |
| Aplus U51 Holdings Limited . .                                                  | —                                                                  | —                             | —                             | —                                 | —                                 | —                                | —                                 | 7,484,000                        | 0.7005%                                                                | 0.6305%                                                     |
| HGEH Capital Holdings<br>Limited. . . . .                                       | —                                                                  | —                             | —                             | —                                 | —                                 | —                                | —                                 | 14,967,000                       | 1.4010%                                                                | 1.2609%                                                     |
| Grand Genesis Enterprises<br>Corporation . . . . .                              | —                                                                  | —                             | —                             | —                                 | —                                 | —                                | —                                 | 10,111,000                       | 0.9464%                                                                | 0.8518%                                                     |
| Chan Kai Ming . . . . .                                                         | —                                                                  | —                             | —                             | —                                 | —                                 | —                                | —                                 | 2,245,000                        | 0.2101%                                                                | 0.1891%                                                     |
| Grassland Bakery Inc. . . . .                                                   | —                                                                  | —                             | —                             | —                                 | —                                 | —                                | —                                 | 7,828,000                        | 0.7327%                                                                | 0.6595%                                                     |
| Harvest Yuanxin Holdings<br>Limited. . . . .                                    | —                                                                  | —                             | —                             | —                                 | —                                 | —                                | —                                 | 34,424,000                       | 3.2222%                                                                | 2.9000%                                                     |

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| Shareholders                                         | Ordinary Shares of a nominal value of US\$0.00001 each | Class A Ordinary Shares | Class B Ordinary Shares | Series A1 Preference Shares | Series A2 Preference Shares | Series B Preference Shares | Series B1 Preference Shares | Series C Preference Shares | Shareholding as at the date of this Prospectus <sup>(1)</sup> | Shareholding as at the Listing Date <sup>(2)</sup> |
|------------------------------------------------------|--------------------------------------------------------|-------------------------|-------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|---------------------------------------------------------------|----------------------------------------------------|
| Action Chain International Limited . . . . .         | 6,545,000                                              | 6,545,000               | —                       | —                           | —                           | —                          | —                           | 52,461,000                 | 5.5232%                                                       | 4.9709%                                            |
| Gold Bull Investment Holding Inc. . . . .            | —                                                      | —                       | —                       | —                           | —                           | —                          | —                           | 42,729,000                 | 3.9996%                                                       | 3.5997%                                            |
| Achieve Success Technology Development Limited . . . | 8,104,000                                              | 8,104,000               | —                       | —                           | —                           | —                          | —                           | —                          | 0.7586%                                                       | 0.6827%                                            |
| LF Alpha Limited . . . . .                           | 4,986,000                                              | 4,986,000               | —                       | —                           | —                           | —                          | —                           | —                          | 0.4667%                                                       | 0.4200%                                            |
| MSK XF Holding Ltd. . . . .                          | —                                                      | —                       | 2,123,000               | —                           | —                           | —                          | —                           | 3,808,000                  | 0.5552%                                                       | 0.4997%                                            |
| Tiantu China Consumer Fund I, L.P. . . . .           | 3,195,000                                              | 3,195,000               | —                       | —                           | —                           | —                          | —                           | —                          | 0.2991%                                                       | 0.2692%                                            |
| Other public shareholders . . . .                    | —                                                      | —                       | —                       | —                           | —                           | —                          | —                           | —                          | —                                                             | 10.0000%                                           |
| <b>Total . . . . .</b>                               | <b>1,068,323,522</b>                                   | <b>384,775,522</b>      | <b>28,635,000</b>       | <b>16,206,000</b>           | <b>11,934,000</b>           | <b>46,665,000</b>          | <b>109,217,000</b>          | <b>470,891,000</b>         | <b>100.00%</b>                                                | <b>100.00%</b>                                     |

*Notes:*

- (1) Based on the assumption that each Preference Share will be converted into one Ordinary Share of a nominal value of US\$0.00001 upon the Global Offering becoming unconditional. All the Preference Shares and Class B Ordinary Shares will be automatically converted into Ordinary Shares at a conversion ratio of 1:1 upon Listing. The conversion price of the Preference Shares is subject to customary adjustment events. If the number of outstanding Shares proportionately changes as a result of share split, share combination, share dividend, reorganization, merger, consolidation, reclassification, exchange, substitution, recapitalization or similar events (other than certain excepted events such as the new securities issuance under a qualified IPO), the conversion price shall be proportionately adjusted. In the event of a dilutive issuance where the Company issues new Shares for a consideration per share less than the then effective conversion price (other than certain excepted issuance, such as new securities issuance upon conversion of the Preference Shares or under a qualified IPO), then the conversion price shall be reduced to an amount equal to the per share consideration for such new issuance as of the date of such issuance.
- There will not be any dilutive issuance of new shares that will trigger any adjustment to the conversion price of the Preference Shares.
- (2) On November 20, 2017, the Board of the Company adopted the 51 Award Scheme and 51 Stock Scheme in order to motivate the employees and senior management of the Company. On November 22, 2017, for the purpose of satisfying the existing and future RSU grants, the Company allotted and issued 6,886,300 and 5,858,200 Class A ordinary shares of a nominal value of US\$0.00001 to 51 Award Limited and 51 Stock Limited, respectively, in accordance with the terms of the 51 Award Scheme and 51 Stock Scheme. On March 19, 2018, the Company issued 43,478,261 Class A Ordinary Shares of a nominal value of US\$0.00001 to each of 51 Award Limited and 51 Award Limited.

Each of the terms of the 51 Award Scheme and 51 Stock Scheme is ten years.

An award of RSUs under each of the 51 Award Scheme and 51 Stock Scheme gives the grantee a conditional right upon vesting of the award to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares (as the case may be), further details of which are disclosed in “ — D. RSU Schemes” of Appendix V.

From the date of grant but prior to the vesting of the award under the 51 Award Scheme and 51 Stock Scheme, no grantee is entitled to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-script distributions from any Shares underlying an award (the “**Dividend and Other Income**”). Upon vesting of the awards, the committee duly authorized by the Board of Directors of the Company to administer the relevant scheme shall have the sole and absolute discretion to determine whether or not a grantee shall have any rights to any Dividend and Other Income under the Shares vested to him from the date of vesting until the Shares are transferred to the grantee or the grantee has obtained the equivalent value in cash (as the case may be).

The accumulated Dividend and Other Income (to the extent not distributed to the relevant grantees) will be applied towards the payment of the fees, costs and expenses in connection with the adoption, administration and/or termination of the trusts and the 51 Award Scheme and 51 Stock Scheme.

For details of the 51 Award Scheme and 51 Stock Scheme, please refer to “Appendix V — Statutory and General Information — Other Information — D. RSU Schemes”.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following table summarizes the main terms of investments to the Company made by shareholders of the Company:

|                                                                               | Shareholders<br>of Class A<br>Ordinary<br>Shares                                                                                                                                                                                 | Shareholders<br>of Class B<br>Ordinary<br>Shares | Shareholders<br>of Series A1<br>Preference<br>Shares | Shareholders<br>of Series A2<br>Preference<br>Shares | Shareholders<br>of Series B<br>Preference<br>Shares | Shareholders<br>of Series B1<br>Preference<br>Shares | Shareholders<br>of Series C<br>Preference<br>Shares |
|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|
| Cost per Share paid                                                           | HK\$0.85                                                                                                                                                                                                                         | HK\$0.29                                         | HK\$1.46                                             | HK\$2.03                                             | HK\$0.67                                            | HK\$1.79                                             | HK\$4.20                                            |
| Date on which the<br>investment was<br>fully settled . . . .                  | August<br>2012                                                                                                                                                                                                                   | April<br>2017                                    | June<br>2013                                         | December<br>2013                                     | January<br>2015                                     | April<br>2015                                        | November<br>2017                                    |
| Discount to the<br>Offer Price <sup>(1)</sup> . . .                           | 91.5%                                                                                                                                                                                                                            | 97.1%                                            | 85.4%                                                | 79.7%                                                | 93.3%                                               | 82.1%                                                | 58.0%                                               |
| Lock-up Period . . . .                                                        | No lock-up arrangement                                                                                                                                                                                                           |                                                  |                                                      |                                                      |                                                     |                                                      |                                                     |
| Use of proceeds<br>from the<br>investors'<br>investment . . . . .             | We use the proceeds for general corporate operations. As at the Latest Practicable Date, the proceeds from the investors' investment had not been used up.                                                                       |                                                  |                                                      |                                                      |                                                     |                                                      |                                                     |
| Strategic benefits to<br>the Company<br>brought by the<br>investors . . . . . | At the time of the investors' investment, the Directors are of the view that the Company can be benefitted from the additional funds provided by the investors in the Company and the knowledge and experience of the investors. |                                                  |                                                      |                                                      |                                                     |                                                      |                                                     |

*Note:*

- (1) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$10.00 per Share (being the mid-point of the indicative Offer Price range of HK\$8.50 to HK\$11.50, on the basis that 1,187,026,522 Shares are expected to be in issue immediately upon completion of the Global Offering (on the basis that all Preference Shares and Class B Ordinary Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised).

### Shareholders' Right

The holders of the Company's Preference Shares (i.e. Series A1, A2, B, B1 and C Preference Shares) have been granted with special rights such as conversion rights, anti-dilution rights, redemption rights (such redemption rights will be terminated immediately before date of the first submission of the application form, and if the Listing does not take place, these redemption rights will be revived), information and inspection rights, liquidation rights, right to elect directors and participate in the board of directors and board committees, pre-emptive right, right of first offer, right of first refusal and right of co-sale, drag-along rights and protection provisions. These rights shall be automatically terminated when the Preference Shares are converted into our Shares of a nominal value of US\$0.00001 each immediately before the Listing.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Lock-up Undertakings by the Shareholders of the Company

Each of the Shareholders of the Company has undertaken to be subject to lock-up obligations for a period ending on a date which the six months from the Listing Date. See the section headed “Underwritings—Undertakings by shareholders of the Company.”

### 2. Domestic Reorganization

After the Old Contractual Arrangements ceased to have effect and Hangzhou Enniu has become our core operating company in China, Hangzhou Enniu mainly carried out the following restructuring activities:

#### (1) *Transfer of Shareholders’ Equity*

In September 2017, Pingxiang Jiniu, Shanghai Qingniu and Xiamen Hanyun transferred part of their equity interests in Hangzhou Enniu to certain other shareholders of Hangzhou Enniu, Jinglin Investment and Zhuhai Qingliu transferred part of their equity interests to certain other shareholders of Hangzhou Enniu in order to withdraw from Hangzhou Enniu. Guoxin Investment, Hongtai Fund, Chiyi Investment and Weiyi Investment transferred part of their equity interests to transferees which were owned by them; the aforesaid equity transfers were completed on September 28, 2017.

As part of the establishment of the overseas shareholding structure by the shareholders of Hangzhou Enniu, Hangzhou Enniu, Mr. Sun Haitao, Hangzhou Mengniu Real Estate Brokers Ltd. (杭州盟牛房地產經紀有限公司) and Beijing Huagai Chuangfu No. 2 Equity Investment Partnership (北京華蓋創富貳號股權投資合夥企業) entered into the “Framework Agreement on the VIE Restructuring of Hangzhou Enniu Network Technology Co., Ltd. (杭州恩牛網絡技術有限公司) and Related Parties” and relevant domestic and offshore equity interest transfer agreements on November 10, 2017, pursuant to which Beijing Huagai Chuangfu transferred its equity interest in Hangzhou Enniu to Hangzhou Mengniu Real Estate Brokers Ltd. (杭州盟牛房地產經紀有限公司) at the consideration of original investment amount, and at the same time, Rising Sun transferred 1,496,700 Ordinary Shares of the Company to HGEH Capital Holdings Limited (an offshore holding entity of Beijing Huagai Chuangfu Equity Investment Partnership (Limited Partnership) (北京華蓋創富股權投資合夥企業(有限合夥))), which is a domestic shareholder of Hangzhou Enniu) for a total consideration of RMB100 million, representing a price of RMB66.8137 per share. These equity transfers were completed on November 10, 2017.

#### (2) *Divestment by Shareholders of Hangzhou Enniu*

Since the original shareholders of Hangzhou Enniu, namely Beijing Jingdong Financial Technology Holdings Co., Ltd. (北京京東金融科技控股有限公司) (“**Jingdong Financial**”), Suqian Tianying Hongzhi Consulting Co., Ltd. (宿遷天英弘智諮詢有限公司) (“**Suqian Tianying**”), Zhejiang Xinhua Financial Information Service Co., Ltd. (浙江新湖金融信息服務有限公司) (“**Zhejiang Xinhua**”), Tianjin Jinxing Investment Co., Ltd. (天津金星投資有限公司) (“**Tianjin Jinxing**”), Wang Kunliang (王坤亮) and Pingxiang Yigengniu Assets Management Partnership (Limited Partnership) (萍鄉益耕牛資產管理合夥企業(有限合夥)) (“**Pingxiang Yigengniu**”), Pingxiang Yijinniu Asset Management Partnership (萍鄉益金牛資產管理合夥企業(有限合夥)) (“**Pingxiang Yijinniu**”),

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Pingxiang Yimengniu Assets Management Partnership (Limited Partnership) (萍鄉益猛牛資產管理合夥企業(有限合夥)) (“**Pingxiang Yimengniu**”) and Pingxiang Yiniu Assets Management Partnership (Limited Partnership) (萍鄉益牛資產管理合夥企業(有限合夥)) (“**Pingxiang Yiniu**”) (collectively referred to as “**Divestment Shareholders**”), had not made any actual contribution to Hangzhou Enniu, on December 31, 2017, Hangzhou Enniu and the Divestment Shareholders entered into the “Divestment Investment Agreement”, pursuant to which the Divestment Shareholders exited from Hangzhou Enniu at nil consideration. Hangzhou Gaoxintou withdrew from Hangzhou Enniu at a consideration of 150% of the original investment amount, i.e. RMB30 million. The Divestment Shareholders had withdrawn from Hangzhou Enniu on 31 December 2017.

### 3. Contractual Arrangement relating to Hangzhou Enniu

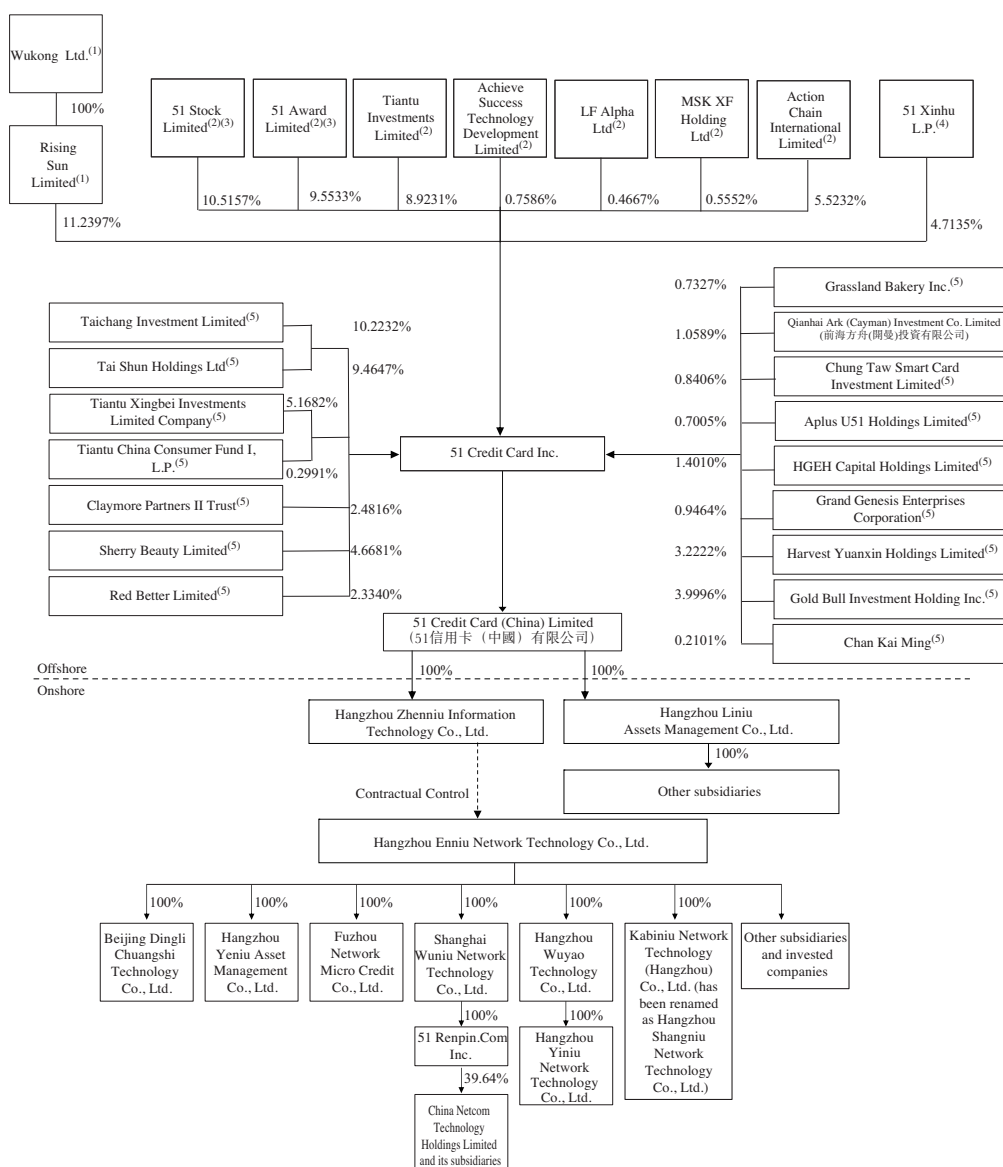
On October 13, 2017, the Company established wholly-owned 51 Credit Card China, a limited company incorporated in Hong Kong. On November 16, 2017, we established Hangzhou Zhenniu as a wholly foreign-owned enterprise in China, of which the equity interest had been and is still wholly owned by the Company. On November 23, 2017, Hangzhou Zhenniu, Hangzhou Enniu and all the then shareholders of Hangzhou Enniu entered into separate contractual arrangements. The contractual arrangements include the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Powers of Attorney and the Share Pledge Agreement. The effect of such contractual arrangements was to obtain contractual control over Hangzhou Enniu and its subsidiaries through 51 Credit Card China and enable us to consolidate their financial results into the Group’s financial results. On December 31, 2017, upon completion of divestment by the Divestment Shareholders of Hangzhou Enniu, Hangzhou Zhenniu, Hangzhou Enniu and all the then shareholders of Hangzhou Enniu jointly re-entered into the Exclusive Purchase Right Agreement, the Powers of Attorney and the Share Pledge Agreement to replace the aforementioned Exclusive Purchase Right Agreement, Powers of Attorney and Share Pledge Agreement entered into on November 23, 2017.

For details of the contractual arrangements of the Company, please refer to “Contractual Arrangements”.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Corporate structure immediately after the completion of the reorganization

The corporate and shareholding structure of our Group immediately after the completion of the corporate reorganization (on the basis that all the Preference Shares and Class B Ordinary Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised) is set out below:



(1) Rising Sun Limited is an investment company established under the laws of the Cayman Islands and is wholly-owned by Wukong Ltd. Wukong Ltd. is beneficially owned by a family trust established by Mr. Sun Haitao (as the settlor). TMF (Cayman) Ltd. is the trustee, and Mr. Sun Haitao is the beneficiary of the family trust. Mr. Sun Haitao is also the sole director of Rising Sun Limited.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (2) The Company, Rising Sun, 51 Award Limited, 51 Stock Limited, Tiantu Investment Limited, Achieve Success Technology Development Limited, LF Alpha Limited, MSK XF Holding Ltd and Action Chain International Limited (the “Voting Proxy Parties”) will enter into an voting proxy agreement with indefinite term with Rising Sun Limited. Pursuant to such agreement, the afore-mentioned Voting Proxy Parties will grant their voting rights in the Company to Rising Sun Limited. Such voting proxy agreement will formally take effect upon Listing on the Stock Exchange. For details of such voting proxy agreement, please refer to “Relationship with our Controlling Shareholders - Voting Proxy Agreement”.

Each of the Parties to the Voting Proxy Agreement will be subject to a lock-up period of six months from the date of listing and in the following six months and each of them shall seek prior written consent from Rising Sun before entering into any transaction that would result in any material change in each of their respective shareholding in our Company or result in the voting interests controlled by Rising Sun in our Company falling below 30% in order to ensure compliance with Rule 10.07 of the Listing Rules.

- (3) As of the Latest Practicable Date, 51 Award Scheme and 51 Stock Scheme have outstanding RSUs in respect of 102,060,261 shares and 112,341,261 shares, respectively. The shares in relation to the RSUs have been allotted and issued to 51 Award Limited and 51 Stock Limited to hold such shares through trust and wait for the vesting of the RSUs in accordance with the RSU Scheme for employees and the RSU Scheme for senior management.
- (4) 51 Xinhua L.P. is a limited partnership established under the laws of the Cayman Islands. Rising Sun is the general partner and Tai Yong Holdings Limited is the limited partner of 51 Xinhua L.P.. Please refer to “— Investors’ Investments — 2. Relevant Information on Investors” in this section for further details.

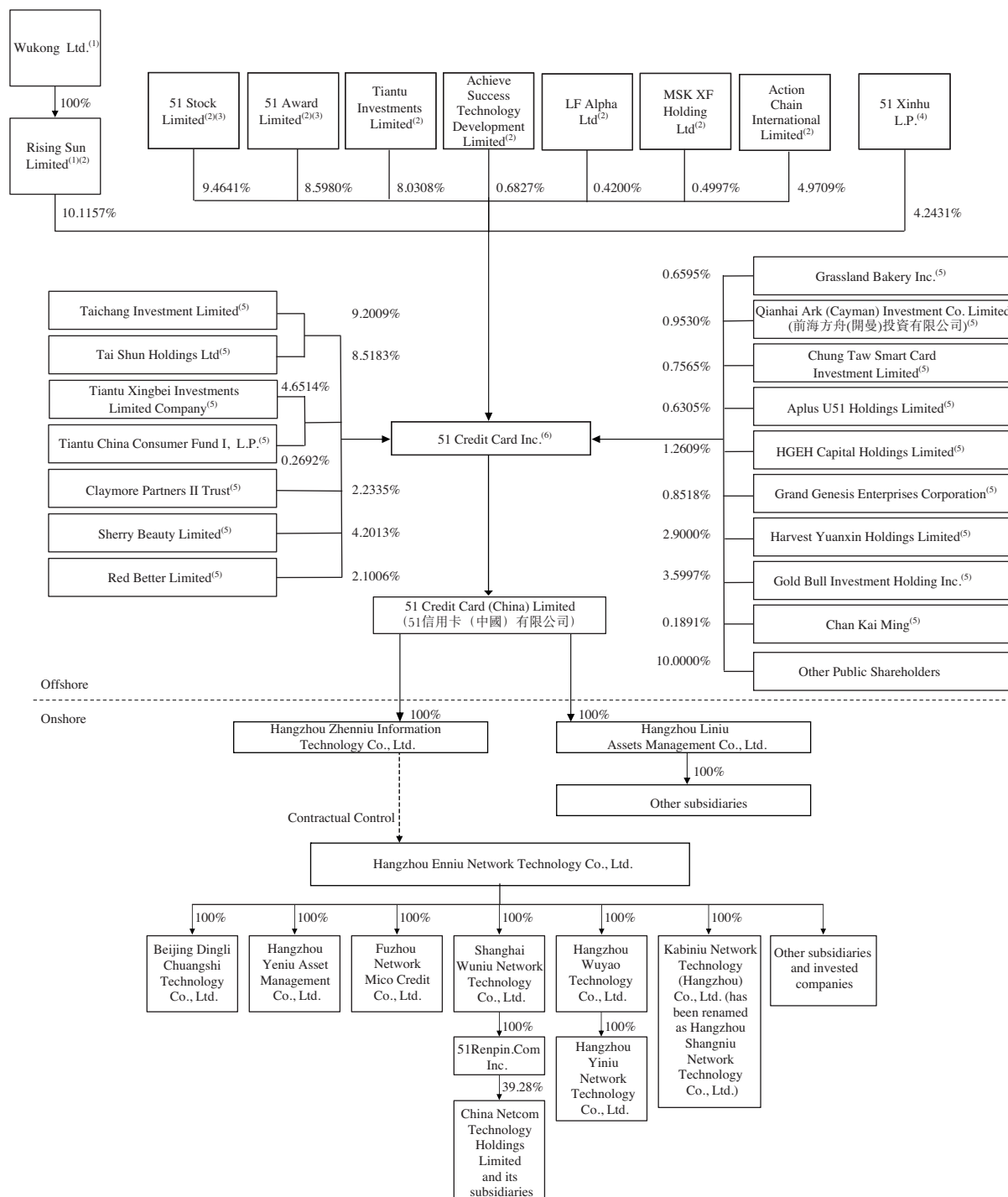
Pursuant to the Limited Partnership Agreement entered into among Rising Sun and Tai Yong Holdings Ltd, Rising Sun and Tai Yong Holdings Ltd agreed that 51 Xinhua L.P. shall not sell any part of its interests in our Company during the following period, whichever is shorter: (i) within the first year immediately following the completion of the Global Offering; or (ii) the shortest period after a firmly underwritten public offering of our Company’s securities on a reputable international stock exchange at an agreed pre-money valuation and offering proceeds, during which a shareholder of our Company is not allowed to dispose of its shares in our Company, pursuant to any contractual arrangement (including the Voting Proxy Agreement) between such shareholder and Rising Sun and/or its affiliates.

- (5) An independent third-party investor of the Company. Please refer to “— Investors’ Investments — 2. Relevant Information on Investors” in this section for its further details.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Our structure immediately after the Global Offering

The chart below illustrates the corporate and shareholding structure of our Group immediately after the completion of the Global Offering (on the basis that all the Preference Shares and Class B Ordinary Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised):



Notes(1)-(5): See page 166-167 for details.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (6) As of the Latest Practicable Date, Fanshan Jinshi does not hold any interest in the Company through its offshore holding entity. Assuming the Shares of the Company is issued to the offshore holding entity of Fanshan Jinshi immediately after the completion of the Global Offering pursuant to the terms of the supplementary agreement to the Shouhui Kaizhuo Acquisition Agreement entered into among Hangzhou Enniu, Fanshan Jinshi and other related parties on December 7, 2017, Fanshan Jinshi will be interested in 1.5455% of the total share capital of the Company through its offshore holding entity (assuming the Over-allotment Option is not exercised and on the basis that all the Preference Shares and Class B Ordinary Shares are converted into our Shares on a one-for-one basis).

For details with respect to when the Group will settle the remaining cash consideration and issue the Shares to Fanshan Jinshi, please refer to “— Corporate Reorganization — 1. Establishment of the Company and Major Shareholding Changes — (2) Major Shareholding Changes of the Company”.

Our PRC Legal Advisor has confirmed that all necessary relevant approvals and permits in relation to the share transfers in respect of the PRC companies in our Group as described above had been obtained and the procedures involved had been carried out in accordance with PRC laws and regulations. Our PRC Legal Advisor has confirmed that the share transfers in respect of PRC companies have been properly and legally completed.

### Public Float

Upon the completion of the Global Offering (on the basis that all Preferred Shares and Class B Ordinary Shares are converted into the Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised), none of Claymore Partners II Trust, Sherry Beauty Limited, Red Better Limited, Qianhai Ark (Cayman) Investment Co. Limited (前海方舟(開曼)投資有限公司), Chung Taw Smart Card Investment Limited, Aplus U51 Holdings Limited, HGEH Capital Holdings Limited, Grand Genesis Enterprises Corporation, Chan Kai Ming, Grassland Bakery Inc., Harvest Yuanxin Holdings Limited and Gold Bull Investment Holding Inc. is a party to the Voting Proxy Agreement or the Limited Partnership Agreement, and none of them will be a substantial shareholder of our Company upon the Listing. Accordingly, all the Shares held by such shareholders shall be counted as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

### Compliance with the Guidance Letters

The Joint Sponsors have confirmed that the investment by the investors of the Company is in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange and Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange.

### PRC Regulatory Requirements

Our PRC Legal Advisor has confirmed that the share transfers, reorganizations, acquisitions and disposals in respect of the PRC companies in our Group as described above have been properly and legally completed and all necessary regulatory approvals have been obtained in accordance with PRC laws and regulations.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》) (the “**M&A Rules**”) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective on 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 to purchase the assets of a domestic enterprise and operate 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 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 Advisor is of the opinion that prior CSRC approval for this offering is not required because Hangzhou Zhenniu was incorporated as a wholly foreign-owned enterprise without involving acquisition of the equity or assets of a “PRC domestic company”, as such term is defined under the M&A Rules, which was in compliance with the M&A Rules. In December 2017, 51 Credit Card China acquired the entire equity interests in Hangzhou Liniu, upon which Hangzhou Liniu was redesignated as a wholly foreign-owned enterprise of our Company, and as such the M&A Rules are not applicable. Other than 51 Credit Card China and Hangzhou Zhenniu, all of our other PRC subsidiaries have been wholly owned by PRC citizens since their dates of incorporation, and as such, the M&A Rules are not applicable.

### SAFE REGISTRATION IN PRC

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents 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》) (the “**SAFE Circular 37**”) effective on July 14, 2014 which replaced the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 75**”): (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 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, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Circular 13**”) effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, all of our Shareholders, who we know are PRC residents as defined under the applicable provisions under SAFE Circular 37 or SAFE Circular 75, had completed the registration under the SAFE Circular 37 or SAFE Circular 75 before April 30, 2018.

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## CONTRACTUAL ARRANGEMENTS

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### BACKGROUND TO THE CONTRACTUAL ARRANGEMENTS

We operate an online credit card management platform in China and our PRC Operating Entities are primarily engaged in providing personal credit management services, credit card technology services and online credit facilitation and investment services to our users through our mobile Apps, platforms and other online marketplace platforms to our users. The operation of mobile Apps and the provision of online information services (the “**Relevant Businesses**”) are subject to foreign investment restrictions under PRC law. As advised by our PRC Legal Advisor, in order to conduct the Relevant Businesses, our PRC Operating Entities are required to hold the VATS licenses.

Since our Relevant Businesses are subject to foreign investment restrictions (as set out in further detail below), to comply with the relevant PRC laws, our Relevant Businesses are directly operated by the PRC Operating Entities. Leveraging on our Apps and platforms, our personal credit management services, credit card technology services and online credit facilitation and investment services offered to our users secure our revenue stream. Hangzhou Zhenniu, our indirectly wholly-owned subsidiary, in turn provides services to support the business operations of the PRC Operating Entities and derives economic benefits from such business operations. Our PRC Operating Entities hold the requisite PRC permits, licenses and approvals for operating our Relevant Businesses. Our major trademarks and domain names are held by our PRC Operating Entities. In addition, our PRC Operating Entities hold certain licenses and permits that are essential to the operation of our business, such as the VATS licenses. For more information, please refer to the section headed “Business—Regulatory Matters—Licenses and Permits”.

As there are no clear guidance or interpretation on the Qualification Requirements (see the paragraph headed “—Qualification Requirements” below for further details), we cannot hold any direct interest in Hangzhou Enniu, which, together with the PRC Operating Entities, currently hold and will hold certain licenses and permits required for the operation of the Relevant Businesses.

Since 2017, we effected a series of corporate restructuring and established our Company. Through Hangzhou Zhenniu, our wholly-owned subsidiary, we entered into the Contractual Arrangements with a view to consolidate our interest in the PRC Operating Entities in order to comply with PRC laws and regulations and maintain effective control over all of our operations.

We believe that the Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC. Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into among Hangzhou Zhenniu, Hangzhou Enniu and the Registered Shareholders, (ii) by entering into the Exclusive Business Cooperation Agreement with Hangzhou Zhenniu, Hangzhou Enniu will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

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## CONTRACTUAL ARRANGEMENTS

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### PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP REGULATIONS

#### Restrictions on foreign ownership

Foreign investment activities in the PRC are mainly governed by the Catalog which was promulgated and is amended from time to time jointly by MOFCOM and the NDRC. The Catalog divides industries into four categories in terms of foreign investment, namely “encouraged,” “restricted” and “prohibited,” and all industries not listed under any of these categories are deemed to be “permitted.”

A substantial part of our businesses are operated through our 51 Credit Card Manager App and other independent App for each product, and fall within the scope of value-added telecommunications business and are thus “restricted” businesses under the Catalog. Consequently, foreign investors are restricted from holding more than 50% equity interests in companies providing such services. As a result, these services are provided by Hangzhou Enniu and our PRC Operating Entities. We operate these businesses under the Contractual Arrangements and are of the view that the Contractual Arrangements are narrowly tailored and we have demonstrated genuine efforts to comply with applicable laws and regulations for the following reasons:

1. Each of the PRC Operating Entities (excluding Fuzhou Network Micro Credit Company) that carries out the Relevant Businesses currently holds and will hold a VATS license required for the operation of the Relevant Business.
2. In respect of Fuzhou Network Micro Credit Company, according to our consultation on January 16, 2018 with the director of the Financial Service Division of the Finance Work Office of the Fuzhou City Government (撫州市人民政府金融工作辦公室) (the “**Fuzhou Finance Work Office**”), which is the department in charge of approval of micro loan businesses and supervision of micro loan companies incorporated in Fuzhou, applications for the Internet Microcredit Company Operation License (網絡小貸公司經營許可證) (the “**Microcredit License**”) would not be approved if Fuzhou Network Micro Credit Company were to transform into a Sino-foreign equity joint venture. Our PRC Legal Advisor is of the view that (i) the Fuzhou Finance Work Office is the competent authority and that the relevant director has the authority to give the relevant confirmation and it is unlikely that such confirmation will be challenged by higher government authorities; and (ii) the Microcredit License is necessary for the operation of Fuzhou Network Micro Credit Company subsequent to its trial operation stage. As of the Latest Practicable Date, the Microcredit License has not yet been granted to the Fuzhou Network Micro Credit Company. Based on the consultation on January 16, 2018 with the director of the Fuzhou Finance Work Office and as advised by our PRC Legal Advisor, we believe we comply with the applicable requirements for the issuance of the Microcredit License to Fuzhou Network Micro Credit Company, and there is no material legal impediment for Fuzhou Network Micro Credit Company to obtain the Microcredit License pursuant to the current laws and regulations and Fuzhou Network Micro Credit Company could continue to carry out the micro credit business prior to obtaining the Microcredit License. According to the phone inquiry with the director of the Financial Service Division of the Fuzhou Finance Work Office on May 30, 2018, (i) Fuzhou Network Micro Credit Company can continue to carry



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out the micro credit business prior to obtaining the Microcredit License and this does not constitute a material non-compliance, nor will it be regarded as operating online micro credit business without lending qualifications; and (ii) Fuzhou Network Micro Credit Company is now under the normal operation stage and is waiting for Microcredit License to be granted. Our PRC Legal Advisor is of the view that the Fuzhou Finance Work Office is the competent authority and the relevant director has the authority to give the relevant confirmation and it is unlikely that such confirmation will be challenged by higher government authorities. Although we believe that Fuzhou Network Micro Credit Company is only a supplementary funding source and we do not intend to rely on it as a major source for funding, to the extent we need to obtain funding from Fuzhou Network Micro Credit Company, if we are unable to maintain or renew the micro loan license or obtain any other requisite approvals, licenses or permits applicable to our business, our business, financial condition and results of operations would be materially and adversely affected.

3. Although VATS licenses have been granted to Sino-foreign equity joint ventures in very limited circumstances in the past, according to our consultation on December 19, 2017 with the deputy director of the Division of Policy and Standards of the Department of Information, Communications and Development of the MIIT, which is the department in charge of approving applications for the operation of Internet information services by a sino-foreign equity joint venture in PRC in accordance with PRC laws and regulations, applications for VATS licenses by Sino-foreign equity joint ventures established by our Company will not be approved. Our PRC Legal Advisor is of the view that the MIIT is the ultimate competent authority and that the relevant officer have the authority to give the relevant confirmation. From the perspective of operating our existing business in a manner that is in compliance with applicable PRC laws and regulations, based on the current policy of the relevant PRC government authorities and as advised by our PRC Legal Advisor, we are currently unable to establish a sino-foreign equity joint venture and obtain a VATS license. In addition, foreign investors will need to demonstrate that they have a track record of good performance and operating experience of value-added telecommunications under the Qualification Requirements. The MIIT, as the ultimate authority to approve operation of Internet information services in the PRC by a sino-foreign equity joint venture and issue VATS licenses to any such enterprise, has not released any document clarifying the specific requirements for the main foreign investor to fulfill the Qualification Requirements, which remains ultimately subject to substantive examination by the MIIT. In practice, as advised by our PRC Legal Advisor, we are currently unable to establish a sino-foreign equity joint venture to obtain a VATS license, and accordingly, we cannot hold any shareholding interest in the PRC Operating Entities, which hold or will hold the license and permit required for our Relevant Businesses.

For further details of the limitation on foreign ownership in PRC companies conducting value-added telecommunications services and the licensing and approval requirements applicable to the Relevant Businesses under PRC laws and regulations, please see the section headed “Regulatory Environment—Regulations Relating to Internet Companies—Regulations on Value-added Telecommunication Services” and “Regulatory Environment—Regulations Relating to Foreign Investment.”

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### Qualification Requirements

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing VATS, including ICP services. In addition, a foreign investor who invests in a VATS business in the PRC must possess the Qualification Requirements. Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. The MIIT issued the latest guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC on March 1, 2017 which took effect on the same day. According to this guidance memorandum, an applicant is required to provide, among other things, the foreign investor’s satisfactory proof of the Qualification Requirements and the project proposal plan of the applicant. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC Legal Advisor has advised us that as of the Latest Practicable Date, no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas VATS business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in our PRC Operating Entities when the relevant PRC laws allow foreign investors to invest and to hold a majority interest in VATS enterprises in China. We are in the process of expanding our overseas VATS business through our overseas subsidiaries. We have taken the following measures to meet the Qualification Requirements:

- We have applied for, and are in the process of registering trademarks outside the PRC for the promotion of our Relevant Businesses overseas;
- 51 Credit Card (China) Limited (“**51 Credit Card (China)**”), our Hong Kong subsidiary, has registered a domain name outside the PRC for display and promotion of 51 Credit Card Manager, 51 Renpin, 51 Renpin Loan and Geinihua; our Company has constructed its overseas website, primarily for introducing our Group’s business to users and investor relations purpose. The Company plans to utilize this website to help overseas investors to better understand our products and business, and our website will have links to re-direct the users to download our Apps. Through this overseas website, we may capture and analyze overseas user data in order to provide useful insights for our overseas expansion plans
- 51 Credit Card (China) is in the process of setting up an office in Hong Kong for the expansion of our operations overseas;
- We have commenced feasibility studies on the further development of marketing to overseas markets and potential investments or acquisitions in order to optimize our strategic plan for expanding its current businesses to overseas markets.

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Subject to the discretion of the competent authority on whether the Group has fulfilled the Qualification Requirements, our PRC Legal Advisor is of the view that the above steps taken by us are reasonable and appropriate for gradually building up a track record to meet the Qualification Requirements as the Company has experience in providing VATS in overseas markets, which is in accordance with the FITE Regulations and the guidance memorandum.

Our PRC Legal Advisor conducted a consultation with the relevant government authority, being the MIIT, during which it confirmed that steps such as those taken by us above (e.g. establishing overseas offices, holding overseas domain names and conducting operation of websites and other businesses in relation to VATS) are generally regarded as relevant factors to prove that the Qualification Requirements are fulfilled, subject to a substantive examination by the MIIT in accordance with the approval procedures under PRC laws and regulations. We will, as applicable and when necessary, disclose the progress of our overseas expansion plans and any updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the Listing. We will make periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

On July 13, 2006, the MIIT issued the Notice on Strengthening the Administration of Foreign Investment in Operating Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Notice**”). The MIIT Notice further strengthened regulation over foreign investment in value-added telecommunication services, including prohibiting domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or requiring domain names and trademarks used by any value-added telecommunication service providers to be held by either the holder of the VATS license or shareholders of such VATS license holder. Furthermore, domestic telecommunication service providers are prohibited from providing any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications businesses in China. If the VATS license holder fails to comply with the requirements in the MIIT Notice and fails to remedy its non-compliance within a specified period of time, the MIIT or its local branches may take measures against such license holder, including revoking its VATS license.

Since foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations outlined above, after consultation with our PRC Legal Advisor, we determined that it was not viable for us to hold our PRC Operating Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions and qualification requirements, the Company would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our PRC Operating Entities through the Contractual Arrangements between Hangzhou Zhenniu, the Company’s wholly-owned subsidiary in the PRC, on one hand, and Hangzhou Enniu and the Registered Shareholders, on the other hand. The Contractual Arrangements allow the results of operations and assets and liabilities of Hangzhou Enniu and our PRC Operating Entities to be consolidated into our results of operations and assets and liabilities under IFRS as if they were wholly-owned subsidiaries of our Group.

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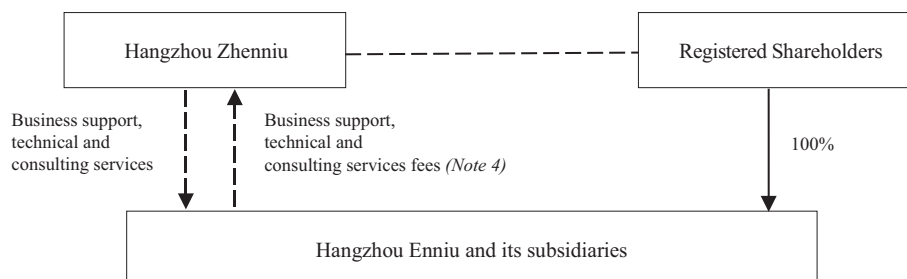
### Circumstances under which we will unwind the Contractual Arrangements

Our Group will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the operation of our Relevant Business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority grants VATS licenses to sino-foreign equity joint ventures to be established by the Company.

### Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Entities to our Group stipulated under the Contractual Arrangements:

- (1) Powers of attorney to exercise all shareholders' rights in Hangzhou Enniu (*Note 1*)
- (2) Exclusive option to acquire all or part of the equity interest in and/or assets of Hangzhou Enniu (*Note 2*)
- (3) First priority security interest over the entire equity interest in Hangzhou Enniu (*Note 3*)
- (4) Provide business support, technical and consulting services fees (*Note 4*)



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#### Notes:

- (1) Please refer to "Contractual Arrangements — Powers of Attorney" for details.
- (2) Please refer to "Contractual Arrangements — Exclusive Option Agreement" for details.
- (3) Please refer to "Contractual Arrangements — Share Pledge Agreement" for details.
- (4) Please refer to "Contractual Arrangements — Exclusive Business Cooperation Agreement" for details.

### Exclusive Option Agreement

Hangzhou Enniu and the Registered Shareholders, entered into the exclusive option agreement with Hangzhou Zhenniu in December 2017 (the "**Exclusive Option Agreement**"), pursuant to which the Registered Shareholders agree to grant to Hangzhou Zhenniu (or the Company or any subsidiary of the Company, the "**designee**") an irrevocable and exclusive option to acquire or purchase from the Registered Shareholders and/or Hangzhou Enniu all or any part of their equity interests in and/or assets of Hangzhou Enniu at a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, the Registered

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Shareholders and/or Hangzhou Enniu shall return any amount of purchase price they have received to Hangzhou Zhenniu. At Hangzhou Zhenniu's request, the Registered Shareholders and/or Hangzhou Enniu will promptly and unconditionally transfer their respective equity interests in and/or assets of Hangzhou Enniu to Hangzhou Zhenniu (or its designee) after Hangzhou Zhenniu exercises its purchase right. The Exclusive Option Agreement is for an initial term of ten years and is automatically renewable upon expiry unless Hangzhou Zhenniu confirms a new renewal term in writing.

In order to prevent the flow of the assets and value of Hangzhou Enniu and our PRC Operating Entities to the Registered Shareholders, during the term of the Exclusive Option Agreement, Hangzhou Enniu shall not, and shall procure its subsidiaries not to, sell, transfer, mortgage or otherwise dispose of any of its assets without the prior written consent of Hangzhou Zhenniu. In addition, Hangzhou Enniu shall not, and shall procure its subsidiaries not to, make any distributions to its shareholder(s) without the prior written consent of Hangzhou Zhenniu. In the event that the Registered Shareholders receive any distribution from Hangzhou Enniu and/or its subsidiaries and subject to the PRC laws, the Registered Shareholders must immediately pay or transfer such distribution to Hangzhou Zhenniu (or its designee). If Hangzhou Zhenniu exercises its purchase right, all or any part of the equity interests in and/or assets of Hangzhou Enniu acquired would be transferred to Hangzhou Zhenniu and the benefits of equity ownership and/or assets, as applicable, would flow to the Company and our Shareholders.

As provided in the Exclusive Option Agreement, without the prior written consent of Hangzhou Zhenniu, Hangzhou Enniu shall not, and shall procure its subsidiaries not to, among other things, (i) sell, transfer, pledge or dispose of in any manner any of its assets; (ii) execute any material contract, except any contracts in the ordinary course of business and any contracts entered into with any members of the Group; (iii) provide any loan, financial support, pledge or guarantees in any form to any third party, or allow any third party create any pledge or other security interest on its assets or equity; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business of Hangzhou Enniu or not disclosed and consented to by Hangzhou Zhenniu; (v) enter into any consolidation or merger with any third party, or acquire or invest in any third party; (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. The Exclusive Option Agreement provides that the Registered Shareholders and Hangzhou Enniu shall procure the subsidiaries of Hangzhou Enniu to comply with the above undertaking as if they are parties to the Exclusive Option Agreement. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on Hangzhou Zhenniu and the Company in the event of any loss suffered from Hangzhou Enniu and/or its subsidiaries can be limited to a certain extent. In addition, in relation to the above restrictive provisions specified in the Exclusive Option Agreement, we will aggregate asset disposals or value of contracts if such asset disposals or value of contracts (i) are entered into by the Group with the same party or parties; or (ii) involve the disposal or contracts which relate to the whole or parts of the asset or securities or interests in a company or group of companies.

### *Exclusive Business Cooperation Agreements*

Hangzhou Enniu and its subsidiaries entered into the exclusive business cooperation agreement with Hangzhou Zhenniu in December 2017 (the “**Exclusive Business Cooperation Agreements**”), pursuant to which Hangzhou Enniu agreed to engage Hangzhou Zhenniu as the exclusive provider to

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the PRC Operating Entities of business support, technical and consulting services, including technical services, network support, business consultation, intellectual property licensing, equipment, leasing, marketing consultancy, system integration, product research and development and system maintenance, in exchange for service fees. Under these arrangements, the service fees, subject to Hangzhou Zhenniu's adjustment, are equal to all of the net profit of the PRC Operating Entities. Hangzhou Zhenniu may adjust the service fees at its sole discretion, after consideration of certain factors, including but not limited to the deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year, and may also include accumulated losses of the PRC Operating Entities from previous financial periods, which will be wired to the designated account of Hangzhou Zhenniu upon issuance of payment notification by Hangzhou Zhenniu. Hangzhou Zhenniu enjoys all the economic benefits derived from the businesses of the PRC Operating Entities and bears Hangzhou Enniu's business risks. If Hangzhou Enniu runs into financial deficit or suffers severe operation difficulties, Hangzhou Zhenniu will provide financial support to Hangzhou Enniu.

Intellectual property rights are developed during the normal course of business of our PRC Operating Entities. Pursuant to the Exclusive Business Cooperation Agreement, Hangzhou Zhenniu has the exclusive and proprietary rights to all intellectual properties developed by our PRC Operating Entities, given that Hangzhou Zhenniu provides consultation services to our PRC Operating Entities during the term of the Exclusive Business Cooperation Agreement. Part of the economic benefits generated by our PRC Operating Entities will be intellectual properties developed or created during the normal business operation of our PRC Operating Entities. The services provided by Hangzhou Zhenniu typically include providing core technical services, such as programming, while our PRC Operating Entities execute the ideas and supplement with details, such as art designing and text editing, and intellectual properties are developed in the process. Though we do not intend to transfer any existing intellectual property rights held by Hangzhou Enniu to Hangzhou Zhenniu, Hangzhou Enniu is required under the Contractual Arrangements to obtain Hangzhou Zhenniu's prior written consent before they transfer, assign or dispose of any of the intellectual properties to any third party. Our PRC Legal Advisor is of the opinion that (i) such provision relating to the intellectual properties will not result in these agreements being challenged by the relevant government authorities in the PRC; (ii) it is legal for Hangzhou Enniu to hold the intellectual property rights in relation to the Group's business; and (iii) Hangzhou Enniu is in full compliance with the requirements of the Administrative Measures for the Licensing of Telecommunication Business Operations (《電信業務經營許可管理辦法》) and the Circular of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》).

The Exclusive Business Cooperation Agreement is for an initial term of ten years and may be extended by Hangzhou Zhenniu for a term determined by Hangzhou Zhenniu.

### ***Share Pledge Agreement***

Hangzhou Enniu and the Registered Shareholders and Hangzhou Zhenniu entered into the share pledge agreement in December 2017, (the "**Share Pledge Agreement**"). Under the Share Pledge Agreement, the Registered Shareholders pledged as first charge all of their respective equity interests in Hangzhou Enniu to Hangzhou Zhenniu as collateral security for any or all of their payments due to Hangzhou Zhenniu and to secure performance of their obligations under the Exclusive Business



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Cooperation Agreement, the Exclusive Option Agreement and the Powers of Attorney (as defined below). The Share Pledge Agreements will not terminate until (i) all obligations of Hangzhou Enniu and the Registered Shareholders are satisfied in full; (ii) Hangzhou Zhenniu exercises its exclusive option to purchase the entire equity interests of the Registered Shareholders in Hangzhou Enniu and/or the entire assets of Hangzhou Enniu pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws and regulations; (iii) Hangzhou Zhenniu exercises its unilateral and unconditional right of termination; or (iv) the agreement is required to be terminated in accordance with applicable PRC laws and regulations. In addition, under the Exclusive Option Agreement, none of the Registered Shareholders may transfer or permit the encumbrance of any of their equity interests in and assets of Hangzhou Enniu (including any equity interests in and assets of the subsidiaries of Hangzhou Enniu) without Hangzhou Zhenniu's prior written consent. Furthermore, under the Exclusive Business Cooperation Agreement, Hangzhou Zhenniu is entitled to retain and exercise physical control of company seals and certificates that are crucial to the daily operations of Hangzhou Enniu, which further strengthens the protection of Hangzhou Zhenniu's interests over Hangzhou Enniu under the Contractual Arrangements. Should an event of default (as provided in the Share Pledge Agreement) occur, unless it is successfully resolved to Hangzhou Zhenniu's satisfaction within 30 days upon being notified by Hangzhou Zhenniu, Hangzhou Zhenniu may demand that the Registered Shareholders and/or Hangzhou Enniu immediately pay all outstanding payments due under the Exclusive Business Cooperation Agreement, repay any loans and make all other payments due to it, and/or dispose of the pledged equity interests and use the proceeds to repay any outstanding payments due to Hangzhou Zhenniu. The pledges under the Share Pledge Agreement will be duly registered with the relevant PRC legal authority pursuant to PRC laws and regulations prior to the Listing.

### ***Powers of Attorney***

An irrevocable power of attorney was entered into between the Registered Shareholders, Hangzhou Zhenniu and Hangzhou Enniu in December 2017 (the “**Powers of Attorney**”), whereby the Registered Shareholders appointed Hangzhou Zhenniu or a director of its offshore holding company or its/his/her successor (including a liquidator replacing Hangzhou Zhenniu's director) as their exclusive agent and attorney to act on their behalf on all matters concerning Hangzhou Enniu and to exercise all of its rights as a registered shareholder of Hangzhou Enniu. These rights include (i) the right to propose, convene and attend shareholders' meetings; (ii) the right to sell, transfer, pledge or dispose of shares; (iii) the right to exercise shareholders' voting rights; and (iv) the right to act as the legal representative (chairperson), the director, supervisor, the chief executive officer (or general manager) and other senior management members of Hangzhou Enniu. The authorized person is entitled to sign minutes, file documents with the relevant companies registry and exercise voting rights on the winding up of Hangzhou Enniu on behalf of the Registered Shareholders. The Registered Shareholders have each undertaken to transfer all assets obtained after the winding up of Hangzhou Enniu to Hangzhou Zhenniu at nil consideration or the lowest price permissible by the then applicable PRC laws. As a result of the Powers of Attorney, the Company, through Hangzhou Zhenniu, is able to exercise management control over the activities that most significantly impact the economic performance of Hangzhou Enniu.



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The Powers of Attorney also provides that, in order to avoid potential conflicts of interest, where the Registered Shareholders are officers or directors of Hangzhou Zhenniu or the Company, the power of attorney is granted in favor of other unrelated officers or directors of the Company.

The Powers of Attorney shall automatically terminate once Hangzhou Zhenniu (or any member of the Group other than Hangzhou Enniu and its subsidiaries) directly holds the entire equity interests in and/or the entire assets of Hangzhou Enniu once permitted under the then PRC laws and Hangzhou Zhenniu (or its subsidiaries) is allowed to conduct the Relevant Businesses under the then PRC laws, following which Hangzhou Zhenniu shall be registered as the sole shareholder of Hangzhou Enniu.

### *Spouse Undertaking*

The spouse of each individual Registered Shareholders entered into the spouse undertaking in December 2017, (the “**Spouse Undertaking**”). Under the Spouse Undertaking, the spouse of each of the individual Registered Shareholders irrevocably undertakes to refrain from claiming any interests or rights in the shares of the Registered Shareholder and acknowledges that the rights are not properties jointly owned by himself or herself and the Registered Shareholder, and that the Registered Shareholder has the right to dispose the shares without the consent of the spouse.

### *Dispute Resolution*

Each of the Contractual Arrangements stipulates that the parties shall negotiate in good faith to resolve the dispute in the event of any dispute with respect to the construction and performance of the provisions. In the event the parties fail to reach an agreement on the resolution of such a dispute within 30 days after any party’s request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission (“**CIETAC**”) for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Hangzhou, and the language used during arbitration shall be in Chinese. The arbitration ruling shall be final and binding on all parties. Any party shall have the right to apply to the courts with competent jurisdiction for enforcement of arbitration rulings after the arbitration rulings come into force.

Each of the Contractual Arrangements also provides that (i) the arbitral tribunal may award remedies over the equity interests, assets or property interest of Hangzhou Enniu, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Hangzhou Enniu; and (ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and other jurisdiction (being the place of domicile of Hangzhou Enniu and where the principal assets of Hangzhou Enniu or Hangzhou Zhenniu are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the shares or property interest of Hangzhou Enniu.

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However, our PRC Legal Advisor has advised that (i) a tribunal normally would not grant such kind of injunctive relief or winding up order of Hangzhou Enniu under PRC laws; (ii) interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

Since PRC arbitral tribunal cannot award legal remedies such as injunctive relief or winding up orders, Hangzhou Zhenniu can only seek similar but not identical remedies from CIETAC under PRC law, such as cessation of infringements or return of property. Alternatively, Hangzhou Zhenniu may seek remedies from a PRC court in accordance with PRC law, including interim injunctive relief over the assets or shares of Hangzhou Enniu and a winding up order against Hangzhou Enniu.

As a result of the above, in the event that our PRC Operating Entities, Hangzhou Enniu or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Operating Entities and conduct our business could be materially and adversely affected. Please refer to the section headed “*Risk Factors — Risks Relating to our Corporate Structure*” of this prospectus for details.

### ***Succession***

As advised by our PRC Legal Advisor, the provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if the successors were signing parties to the Contractual Arrangements. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, Hangzhou Zhenniu can enforce its rights against the successors. Pursuant to the Contractual Arrangements, any inheritor of the Registered Shareholders shall inherit any and all rights and obligations of the registered shareholders under the Contractual Arrangements as a result of their death, loss of capacity, marriage, divorce, bankruptcy or under other circumstances which would affect their exercise of equity interest in Hangzhou Enniu, as if the inheritor was a signing party to such Contractual Arrangements.

According to the terms of the Exclusive Business Cooperation Agreement, each of the Registered Shareholders has undertaken, in the event of death or any other event which causes the inability of the shareholder to perform their day-to-day obligations, bankruptcy, marriage or divorce, to transfer all of the equity interests, including rights and obligations in Hangzhou Enniu, held by them without consideration to Hangzhou Zhenniu or an individual or legal entity designated by Hangzhou Zhenniu under applicable PRC law.

In addition, the spouse of each of the relevant Registered Shareholders have also executed the Spouse Undertaking.

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Based on the foregoing, our PRC Legal Advisor is of the view that (i) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy (if applicable), marriage or divorce of the Registered Shareholders; and (ii) loss of capacity, death, bankruptcy (if applicable), marriage or divorce of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and Hangzhou Zhenniu can enforce its rights under the Contractual Arrangements against the successors of such shareholders.

### *Arrangements to Address Potential Conflicts of Interests*

The Registered Shareholders have undertaken that, during the period that the Contractual Arrangements remain effective,

- (i) (a) they shall not execute any documents with or make any undertaking to any third parties that may have conflicts of interests with any agreements entered into by Hangzhou Zhenniu or Hangzhou Enniu, (b) they shall not commit or refrain from committing any act that may lead to any conflicts of interests between the Registered Shareholders and Hangzhou Zhenniu (including its shareholders) and (c) in the event of the occurrence of a conflict of interests (where Hangzhou Zhenniu has the sole absolute discretion to determine whether such conflict arises), they shall take appropriate measures upon the consent of Hangzhou Zhenniu and its designee to eliminate such conflicts, failing which Hangzhou Zhenniu has the right to exercise the option under the Exclusive Option Agreement; and
- (ii) unless otherwise agreed to by Hangzhou Zhenniu in writing, they will not (a) directly or indirectly participate or engage in any business which is or may potentially be in competition with the businesses of Hangzhou Enniu or any of its subsidiaries, (b) be employed by an entity whose operation is or may potentially be in competition with the businesses of Hangzhou Enniu or any of its subsidiaries or hold interest in or assets of such entities, save that ownership of an equity interest of up to 5% is permitted, where Hangzhou Zhenniu has the sole absolute discretion to determine whether such conflict arises.

### *Loss Sharing*

Under the relevant PRC laws and regulations, none of the agreements constituting the Contractual Arrangements provides that the Company or its wholly-owned PRC subsidiary, Hangzhou Zhenniu, is obligated to share the losses of Hangzhou Enniu, but if Hangzhou Enniu suffers any losses or material difficulties of business, Hangzhou Zhenniu may provide financial support as permitted under PRC laws at its discretion to Hangzhou Enniu under the terms of the Exclusive Business Cooperation Agreement. Further, Hangzhou Enniu is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, the Company or Hangzhou Zhenniu is not expressly required to share the losses of Hangzhou Enniu or provide financial support to Hangzhou Enniu. Despite the foregoing, given that the Group conducts the Relevant Businesses in the PRC through the PRC Operating Entities which hold the requisite PRC licenses and approvals, and that Hangzhou Enniu's results of operations and assets and liabilities are consolidated into the Group's results of operations and assets and liabilities under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if Hangzhou Enniu and its subsidiaries suffered losses.

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However, as provided in the Exclusive Option Agreement, without the prior written consent of Hangzhou Zhenniu, Hangzhou Enniu and shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of its assets; (ii) execute any contract except those entered into in the ordinary course of business; (iii) provide any loan, credit or guarantees in any form to any third party, or allow any third party create any other security interest on its assets or equity; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business or not disclosed to and consented by Hangzhou Zhenniu; (v) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on Hangzhou Zhenniu and our Company in the event of any loss suffered from the PRC Operating Entities can be limited to a certain extent.

### ***Liquidation***

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by PRC laws, Hangzhou Enniu shall sell all of its assets to the extent permitted by PRC laws to Hangzhou Zhenniu or another qualifying entity designated by Hangzhou Zhenniu, at the lowest selling price permitted by applicable PRC laws. Any obligation for Hangzhou Zhenniu to pay Hangzhou Enniu as a result of such transaction shall be waived by Hangzhou Enniu and any profits arising from the above transaction shall be paid to Hangzhou Zhenniu or the qualifying entity designated by Hangzhou Zhenniu in partial satisfaction of the service fees under the Exclusive Option Agreement, as applicable under the then current PRC laws. Accordingly, in a winding up of Hangzhou Enniu, a liquidator may seize the assets of Hangzhou Enniu through Hangzhou Zhenniu based on the Contractual Arrangements for the benefit of the Company's creditors/shareholders.

### ***Termination***

Each of the Contractual Arrangements provides that Hangzhou Zhenniu and Hangzhou Enniu shall terminate the Contractual Arrangements once Hangzhou Zhenniu holds the entire equity interests and/or the entire assets of Hangzhou Enniu under the then PRC laws and if Hangzhou Zhenniu or its subsidiaries are able to conduct the Relevant Businesses directly as a result of being permitted to do so under the then PRC laws and Hangzhou Zhenniu is registered as the sole shareholder of Hangzhou Enniu. In addition, pursuant to the Exclusive Business Cooperation Agreements, Hangzhou Zhenniu has the unilateral right to terminate these agreements at any time by providing 30 days' advance written notice to Hangzhou Enniu.

### ***Insurance***

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

### ***Undertakings made by the Corporate Registered Shareholders of Hangzhou Enniu***

Each of the relevant corporate Registered Shareholders of Hangzhou Enniu has obtained the requisite shareholders' approval (in the case of a company) and the requisite partner(s)' approval (in the case of a limited partnership) under their respective constitutional documents to approve the

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entering into and performance of the Contractual Arrangements. The Company has obtained the following undertakings in respect of the relevant corporate Registered Shareholders of Hangzhou Enniu prior to Listing, pursuant to which the relevant corporate Registered Shareholders of Hangzhou Enniu will irrevocably undertake to the Company that, (i) it will not sell, transfer, pledge or in any other way dispose any of the equity interests of Hangzhou Enniu held by it and the relevant rights, or enter into any arrangements which may have the same effect and result in any breach of foreign ownership restrictions laws and regulations in the PRC by the Group; and (ii) if any of Registered Shareholders of Hangzhou Enniu is deemed to be controlled, directly or indirectly, by foreign investors which may result in any breach of foreign ownership restrictions laws and regulations in the PRC by the Group, the relevant Registered Shareholders of Hangzhou Enniu will transfer all the equity interests in Hangzhou Enniu held by it to Mr. Sun or any other holding entities designated by Mr. Sun at nominal consideration.

The Company's PRC legal advisor advised that the undertakings above will be legal, valid, binding and enforceable under PRC laws as the corporate Registered Shareholders will obtain the requisite internal approval under their respective constitutional documents to execute the undertakings.

### *Company's Confirmation*

As of the Latest Practicable Date, the Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the PRC Operating Entities under the Contractual Arrangements.

### *Legality of the Contractual Arrangements*

Hangzhou Zhenniu's right to deal with the pledged equity interest in Hangzhou Enniu under the Share Pledge Agreement and its option to acquire the equity interest in and/or the assets of Hangzhou Enniu under the Exclusive Option Agreement are confined to be carried out in a manner as permitted by the relevant PRC laws. Further, the pledges created under the Share Pledge Agreement shall only become effective upon its due registration with the relevant Administration for Industry and Commerce of the PRC. Based on the above, our PRC Legal Advisor is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our PRC Legal Advisor is also of the opinion that:

- (i) each of Hangzhou Zhenniu and Hangzhou Enniu is an independent legal entity which is duly incorporated, and their respective establishment is valid, effective and complies with the relevant PRC laws; each of the Registered Shareholders that is an individual is a natural person with full civil and legal capacity; and each of Hangzhou Zhenniu and Hangzhou Enniu has also obtained necessary board and shareholder approvals and authorizations as required by the applicable PRC laws and regulations;
- (ii) each of the agreements under the Contractual Arrangements is legal, valid and binding on the parties thereto under PRC laws;

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- (iii) none of the agreements under the Contractual Arrangements violates any provisions of respective articles of association of Hangzhou Zhenniu and each of the PRC Operating Entities;
- (iv) each of the Contractual Arrangements is binding on the assignees or successors of the parties thereto;
- (v) the Contractual Arrangements do not require any approvals from the PRC governmental authorities, except that (i) the pledges under the Share Pledge Agreement are required to be registered with the relevant Administration of Industry and Commerce, which will be duly completed prior to the Listing and (ii) the Exclusive Option Agreement are subject to approval and/or registration with MOFCOM or its branch, local administration bureau for industry and commerce, and MIIT or its branch upon the exercise by Hangzhou Zhenniu or its designees of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in or assets of Hangzhou Enniu;
- (vi) the Contractual Arrangements are not in violation of applicable PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of Hangzhou Enniu, injunctive relief and/or winding up of Hangzhou Enniu, and that courts of competent jurisdictions 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 Hangzhou Enniu in case of disputes. In 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; and
- (vii) the consummation of the contemplated listing of the Company's shares on the Stock Exchange is not a violation of the Rules 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》), which was adopted by six PRC regulatory agencies, including MOFCOM and the China Securities Regulatory Commission, and effective since September 2006 and amended on June 22, 2009.

Please refer to the section headed “*Risk Factors — Risks Relating to Our Corporate Structure*” of this prospectus for more details.

In addition, our PRC Legal Advisor and the Joint Sponsors' PRC legal advisor, King & Wood Mallesons, interviewed the Zhejiang Provincial Communications Administration (浙江省通信管理局) in respect of our Contractual Arrangements, according to which, such administration confirmed that: (i) the Contractual Arrangements do not require the confirmation or approval of, or registration with Zhejiang Provincial Communications Administration (浙江省通信管理局); and (ii) the Contractual Arrangements do not contradict with the regulations relating to VATS business and Internet Information Service. According to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》(2016修訂)) and relevant laws and regulations, provincial governmental authorities in charge of telecommunications shall approve and issue Value-added Telecommunication Business



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License to the entities engaging in telecommunications business and have the power to supervise and regulate such business. Our PRC Legal Advisor is of the view that the Zhejiang Provincial Communications Administration is the competent authority to regulate the VATS industry in Zhejiang province and to give such confirmation.

Based on the above analysis and advice from our PRC Legal Advisor, the Directors are of the view that the Contractual Arrangements are not likely to be challenged by the relevant authorities in the PRC. The PRC Legal Advisor is of the view that the Zhejiang Provincial Communications Administration and the personnel consulted in the interview are competent and authorized to interpret the relevant laws, regulations and rules of the PRC for the industry in which the Company operates its business and make the abovementioned oral confirmation.

We are also advised by our PRC Legal Advisor that (i) the transfer of economic benefits from Hangzhou Enniu to Hangzhou Zhenniu and the pledging of the entire equity interest in Hangzhou Enniu to Hangzhou Zhenniu under the Contractual Arrangements would not be deemed a violation of the relevant PRC laws and regulations; and (ii) the Contractual Arrangements will not likely to be challenged by the PRC tax authorities or other government authorities, provided that Hangzhou Zhenniu and Hangzhou Enniu implement the Contractual Arrangements in accordance with the terms therein, unless the PRC tax authorities determine that such transactions are not conducted on an arm's length basis. Please refer to the section headed "*Risk Factors — Risks Relating to Our Corporate Structure*" in this prospectus for further details.

We are aware of a Supreme People's Court ruling (the "**Supreme People's Court Ruling**") made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2011 which invalidated certain contractual agreements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC and (ii) the incentive for shareholders of Hangzhou Enniu under such contractual structures to renege on their contractual obligations.

Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisor is of the view that the relevant terms of our Contractual Arrangements do not fall within the above five circumstances. In particular, our PRC Legal Advisor is of the view that the Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" such that they also do not fall within circumstance (iv) above under Section 52 of the PRC Contract law because the Contractual Arrangements were not entered into for illegitimate purposes. The purpose of the Contractual Arrangements are (a) to enable Hangzhou Enniu to transfer its economic benefits to Hangzhou



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Zhenniu as service fees for engaging Hangzhou Zhenniu as its exclusive service provider and (b) to ensure that the Registered Shareholders do not take any actions that are contrary to the interests of Hangzhou Zhenniu. In accordance with Article 4 of the PRC Contract Law, which is a section of the Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right. In addition, the effect of the Contractual Arrangements, which is to allow our Company to list on the Stock Exchange while obtaining the economic benefits of Hangzhou Enniu, is not for an illegitimate purpose, as evidenced by the fact that a number of currently listed companies also adopt similar contractual arrangements. In conclusion, the Contractual Arrangements do not fall within any of the five circumstances set forth in Article 52 of the PRC Contract Law.

Please refer to the section headed “*Business — Legal Proceedings*” in this prospectus for details of the compliance history of our Group.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our 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*” in this prospectus.

### Development in the PRC Legislation on Foreign Investment

#### *Draft new Foreign Investment Law*

MOFCOM published a discussion draft of a proposed Foreign Investment Law (《中華人民共和國外國投資法》) (the “**Draft FIL**”) in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. MOFCOM has solicited comments on this draft in early 2015 and substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. The Draft FIL, if enacted as proposed, may materially impact the entire legal framework regulating foreign investment in China.

Among other things, the Draft FIL purports to introduce the principle of “actual control” in determining whether a company is considered a foreign invested enterprise or foreign invested entity (“**FIE**”).

The Draft FIL stipulates restrictions of foreign investment in certain industry sectors. The “negative list” set out in the Draft FIL classifies the relevant prohibited and restricted industries into the Catalogue of Prohibitions and the Catalogue of Restrictions, respectively.

Foreign investors are not allowed to invest in any sector set out in the Catalogue of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalogue of Prohibitions, unless otherwise specified by the State Council.

Foreign investors are allowed to invest in sectors set out in the Catalogue of Restrictions, provided that they fulfill certain conditions and apply for permission before making such investment.

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However, the Draft FIL does not specify the businesses to be included in the Catalogue of Restrictions and the Catalogue of Prohibitions.

The Draft FIL specifically provides that entities established in China but “controlled” by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction but cleared by the authority in charge of foreign investment as “controlled” by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the “restricted category” on the “negative list” to be issued, subject to the examination of the relevant authority in charge of foreign investment. For these purposes, “control” is broadly defined in the Draft FIL to cover any of the following categories:

- directly or indirectly holding 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;
- directly or indirectly holding less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but:
  - (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies; or
  - (b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision making bodies; or
  - (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders’ meeting or the board; or
- having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial, staffing and technology matters.

In respect of “actual control”, the Draft FIL looks at the identity of the ultimate natural person or enterprise that controls the FIE. “Actual control” refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Article 19 of the Draft FIL defines “actual controllers” as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises.

If an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a “negative list” to be separately issued by the State Council in the future, market entry clearance by the authority in charge of foreign investment would be required.

The “variable interest entity” structure (the “**VIE structure**”), has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control over Hangzhou Enniu by Hangzhou Zhenniu, through which we operate the Relevant Businesses in the PRC. According to the Draft FIL, where the FIE under the actual control of PRC investors (either by way of PRC state- owned enterprises or agencies or PRC citizens) invests in a sector set out in the Catalogue of Restriction, when applying for access

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permission they may submit documentary evidence to apply for identification as an investment by PRC entities and/or citizens. However, our PRC Legal Advisor is of the view that the Contractual Arrangements will be deemed legitimate and effective if the ultimate controlling person(s) is/are of PRC nationality or they take other measures as required by the foreign investment law then in force. Despite the content and the classification of the categories in the “negative list” being unclear and unpredictable at this stage, we will take any reasonable measures and actions under the foreign investment law then in force to minimize the adverse effect of such laws on the Contractual Arrangements.

Notwithstanding that the accompanying explanatory notes to the Draft FIL (the “**Explanatory Notes**”) do not provide a clear direction in dealing with VIE structures existing before the Draft FIL becomes effective, which (together with the Draft FIL) were still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with FIEs with existing VIE structures and conducting business in an industry falling in the “negative list:”

- (i) requiring them to make a filing (申報) to the competent authority that the actual control is vested with Chinese investors, after which the VIE structures may be retained;
- (ii) requiring them to apply to the competent authority for certification that their actual control is vested with Chinese investors and, upon verification (認定) by the competent authority, the VIE structures may be retained; and
- (iii) requiring them to apply to the competent authority for access permission (進入許可) to continue to use the VIE structure. The competent authority together with the relevant departments will then make a decision after taking into account the actual control of the FIE and other factors.

To further clarify, under the first possible approach, “making a filing” is simply an information disclosure obligation, which means the enterprise does not have to receive any confirmation or permission from the competent authorities, while for the second and third approaches, the enterprise has to receive either the confirmation or the access permission from the competent authorities. For the latter two approaches, the second approach focuses on the nationality of the controller, whereas the third approach may take factors in addition to the nationality of the controller (which are not clearly defined in the Draft FIL and the Explanatory Notes) into consideration.

The three possible approaches above are set out in the Explanatory Notes to solicit public opinion on the treatment of existing contractual arrangements, have not been formally adopted and may be subject to revisions and amendments taking into account the results of the public consultation. The Draft FIL also stipulates that investors from Hong Kong, Macau and Taiwan who control a domestic enterprise may attract special treatment and recommends the State Council to separately issue regulations to this effect.

Where foreign investors and FIEs circumvent the provisions of the Draft FIL by entrusted holdings, trusts, multi-level re-investments, leasing, contracting, financing arrangements, protocol control, overseas transactions or otherwise, make investments in sectors specified in the Catalogue of Prohibitions, make investments in sectors specified in the Catalogue of Restrictions without

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permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 of (Investments in Sectors Specified in the Catalogue of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft FIL, as the case may be.

If foreign investors make investments in the sectors specified in the Catalogue of Prohibitions, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the Central Government at the place where the investments are made shall order them to cease the implementation of the investments, dispose of any equity or other assets within a prescribed time limit, confiscate any illegal gains and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

If foreign investors or FIEs are in violation of the provisions of the Draft FIL, including by way of failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the Central Government at the place where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

As at the Latest Practicable Date, there is no definite timeline when the new Foreign Investment Law will come into effect, and more importantly, whether it is to be promulgated in the current draft form, and MOFCOM has neither issued any definite rules or regulations to govern existing contractual arrangements, nor any regulations concerning the treatment of investors from Hong Kong, Macau and Taiwan who control a domestic enterprise.

### ***Potential impact to our Company if the Contractual Arrangements are not treated as domestic investment***

According to the Draft FIL, “actual control” refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Under the Draft FIL if an entity is organized in a foreign jurisdiction but cleared by the relevant PRC government authority in charge of foreign investment in the PRC as “controlled” by PRC citizens, it would nonetheless be treated as a PRC domestic entity for investment in the “restricted category” on the “negative list” to be issued, subject to the examination of the relevant authority in charge of foreign investment. If the Draft FIL is promulgated in the current draft form, our PRC Legal Advisor is of the view that we can apply for the recognition of the Contractual Arrangements as a domestic investment and it is likely that the Contractual Arrangements will be considered as legal on the following basis:

- (i) our Controlling Shareholder, Mr. Sun, is of Chinese nationality;

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- (ii) Mr. Sun as the founder, Chairman, General Manager and a director of Hangzhou Enniu since the establishment of Hangzhou Enniu and as the Chairman, Chief Executive Officer and an executive Director of the Company has always been able to exercise decisive influence over the management of the Company, and will directly and indirectly control the voting right of an aggregate of 47.02% of the issued share capital of our Company immediately upon completion of the Global Offering (on the basis that all Class B Ordinary Shares and Preferred Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised), which exceeds the voting right controlled by any other single shareholder;
- (iii) accordingly and given that the voting right controlled by Mr. Sun will exceed the voting right controlled by the second largest shareholder (17.72%, on the basis that all Class B Ordinary Shares and Preferred Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised) and the other shareholders are expected to own below 10% of the Company's issued share capital immediately upon completion of the Global Offering, Mr. Sun is, and will be, capable of exerting material influence at Board meetings and Shareholders meetings (as applicable) of the Company despite Mr. Sun owning less than 50% of the voting rights of the Company, and is therefore the "actual controller" of the Company; and
- (iv) our Company, through Hangzhou Zhenniu, exercises effective control over Hangzhou Enniu and its subsidiaries pursuant to the Contractual Arrangements.

Based on the foregoing, the PRC Legal Advisor is of the view that the Company is considered to be ultimately "controlled" by a PRC investor (i.e. Mr. Sun) under the Draft FIL.

If the operation of the Relevant Businesses is no longer on the "negative list" and we can legally operate the Relevant Businesses under PRC Laws, Hangzhou Zhenniu will exercise the call option under the Exclusive Option Agreement to acquire the equity interest and/or assets of Hangzhou Enniu and unwind the Contractual Arrangements subject to any then applicable approvals from relevant authorities.

If the operation of the Relevant Businesses is on the "negative list" and the Draft FIL as finally enacted is refined or deviates from the current draft, depending on the treatment of existing VIE structures, the Contractual Arrangements may be regarded as invalid and illegal. As a result, 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 Hangzhou Enniu and its subsidiaries. As a result, the financial results of Hangzhou Enniu and its subsidiaries would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If the Group does not receive any compensation, an investment loss would be recognized as a result of such de-recognition.

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Nevertheless, considering that a number of existing entities engaged in the VATS industry, some of which have obtained listing status abroad, are operating under contractual arrangements, our Directors are of the view that it is unlikely, if the Draft FIL is promulgated, that the relevant authorities will apply it retrospectively to require relevant enterprises to remove or otherwise unwind their contractual arrangements.

However, there are uncertainties as to the definition of control that may be adopted in the Draft FIL as finally enacted, and the relevant government authorities will have a broad discretion in interpreting the law. Please refer to “*Risk Factors — Risks relating to our Corporate Structure*” for further details of the risks we face relating to our Contractual Arrangements. In any event, our Company will take reasonable steps in good faith to seek compliance with the enacted version of the Foreign Investment Law, if and when it comes into force.

### ***Potential measures to maintain control over and receive economic benefits from our PRC Operating Entities***

As mentioned above, our PRC Legal Advisor is of the view that the Contractual Arrangements are to be deemed as a domestic investment if the Draft FIL were to become effective in its current form and content.

To ensure the Contractual Arrangements are likely to continue to be in compliance with applicable PRC laws and Stock Exchange requirements so that our Group can maintain control over Hangzhou Enniu and its subsidiaries and receive all economic benefits derived from them, each of the Parties to the Voting Proxy Agreement undertake to the Company (the “**Undertaking**”), that during the term of the Voting Proxy Agreement and so long as the Contractual Arrangements are in force, it shall use its best efforts to do and procure the Company and Rising Sun to do all such possible acts that are necessary to give effect to the Contractual Arrangements and/or enable the continuation of business operations of the PRC Operating Entities of the Company as a result of any impact due to the promulgation and implementation of the new Foreign Investment Law and other future laws and regulations relating to foreign investment, and in particular the following:

- (a) not terminating the Voting Proxy Agreement without the prior written consent of the Company;
- (b) in the case of Mr. Sun, maintaining his Chinese nationality; and
- (c) in the event of any transfer or disposal by any of them of a shareholding that may result in the transferee(s) acquiring “control” over the Company (as defined in the draft Foreign Investment Law or the new Foreign Investment Law (as enacted), as the case may be), it will (as may be relevant) (i) procure that the transferee(s) provide an undertaking on substantially the same terms and conditions as the one provided by itself; and (b) demonstrate to the reasonable satisfaction of the Company and the Hong Kong Stock Exchange that the Contractual Arrangements will continue to be viewed as a domestic investment under the draft Foreign Investment Law or the new Foreign Investment Law (as enacted), as the case may be.

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The Undertaking will become effective from the date of the listing of the Company's shares on the Stock Exchange and will remain effective until the earlier of the occurrence of the following events: (a) Mr. Sun ceasing to be a Controlling Shareholder and actual controller of Hangzhou Enniu or the Company; (b) compliance with the relevant requirements under the new Foreign Investment Law or applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted is not required and the Hong Kong Stock Exchange has consented to this; (iii) compliance with the Undertaking is no longer required, as advised by the Hong Kong Stock Exchange; or (iv) the Hong Kong Stock Exchange and any applicable PRC regulatory departments have consented to such termination. To the extent that only part of the Undertaking above is no longer required as a result of any of the events in (ii), (iii) or (iv) of the preceding sentence occurring, only such part of the Undertaking that is no longer required shall cease to be effective. To the extent that the Undertaking (or any part thereof) is no longer effective, the Company will issue an announcement as soon as practicable.

In addition, if any Party to the Voting Proxy Agreement or its controlled affiliate (a "**Selling Shareholder**") proposes to sell or transfer all or any portion of the its shares other than sale to such Selling Shareholders' controlled affiliate or Rising Sun during the proxy term, it must first offer to sell or transfer such shares to Rising Sun.

Rising Sun has also entered into a limited partnership agreement with Tai Yong Holdings Ltd on October 13, 2017, as amended and restated on November 17, 2017 (the "**Limited Partnership Agreement**"), for the purpose of establishing 51 Xinhua L.P., a Cayman Islands exempted limited partnership (the "**Partnership**") and regulating the activities and operation of the Partnership. Pursuant to the Limited Partnership Agreement, Rising Sun serves as the general partner and Tai Yong Holdings Ltd serves as the limited partner. Among other things, Rising Sun, as the general partner, is entitled to exercise all voting rights conferred upon the Partnership as a shareholder of the Company subject to certain special rights granted to the Partnership as provided in the shareholders' agreement entered into by our Company, among others, Hangzhou Zhenniu, Hangzhou Enniu and the Preferred Shareholders (which shall be terminated either before the first submission of the first listing application or upon listing (as the case maybe)).

Pursuant to the Limited Partnership Agreement, Rising Sun and Tai Yong Holdings Ltd agreed that the Partnership shall not sell any part of its interests in the Company during the following period, whichever is shorter: (i) within the first year immediately following the completion of the Global Offering; or (ii) the shortest period after the IPO (as defined in the Limited Partnership Agreement) during which a shareholder of the Company is not allowed to dispose of its shares in the Company, pursuant to any contractual arrangement (including the Voting Proxy Agreement) between such shareholder and Rising Sun and/or its affiliates. During the existence of the Partnership, the general partner may only be removed upon occurrence of any of the removal events, which include, among others, Mr. Sun ceases to control the general partner, the Company and Hangzhou Enniu. For the purpose of the Limited Partnership Agreement, "IPO" means a firmly underwritten public offering of the Company's securities on a reputable international stock exchange (or any combination of such exchanges and jurisdictions) at an agreed pre-money valuation and offering proceeds.



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Taking into account that (i) each of the Parties to the Voting Proxy Agreement can only transfer its interests in our Company in circumstances where the transfer is in compliance with the new Foreign Investment Law as finally enacted, and (ii) the lock-up period and the limited removal events under the Limited Partnership Agreement, such arrangements will ensure that control of our Company will at all times be in accordance with the requirements of the Foreign Investment Law as finally enacted. For the avoidance of doubt, as advised by our PRC Legal Advisor, there are no restrictions under the current PRC laws and regulations to transfer Mr. Sun's interests in our Company.

As advised by our PRC Legal Advisor and based on the (i) aforesaid undertakings given by each of the Parties to the Voting Proxy Agreement, and (ii) the arrangement stipulated in the limited partnership agreement, our Directors are of the view that (i) the Contractual Arrangements are likely to continue to be in compliance with applicable PRC laws; and (ii) our Group can maintain control over the PRC Operating Entities and receive all economic benefits derived from them.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefits from the PRC Operating Entities alone may not be effective in ensuring compliance with the Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective).

### **Compliance with the Contractual Arrangements**

Our Group will adopt the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

1. major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
2. our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
3. our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports;
4. our Directors undertake to provide periodic updates in our annual reports regarding the qualification requirement as stipulated under the paragraph headed “—Background to the Contractual Arrangements” in this section and the latest development of the Draft FIL as disclosed under the paragraph headed “—Development in the PRC Legislation on Foreign Investment” in this section, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and

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## CONTRACTUAL ARRANGEMENTS

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5. our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Hangzhou Zhenniu and our PRC Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, we believe that our Directors are able to perform their roles in our Group independently and we are capable of managing our business independently after the Listing under the following measures:

1. the decision-making mechanism of the Board as set out in the Articles includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;
2. each of our Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefits and in the best interests of our Company;
3. we have appointed three independent non-executive Directors, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and
4. we will disclose in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his or her associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

### **Accounting Aspects of the Contractual Arrangements**

#### ***Consolidation of Financial Results of the Hangzhou Enniu and its subsidiaries***

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own Hangzhou Enniu and its subsidiaries, the Contractual Arrangements as mentioned above enable our Company to exercise control over Hangzhou Enniu and its subsidiaries.

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## CONTRACTUAL ARRANGEMENTS

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Under the Exclusive Business Cooperation Agreement entered into by and between Hangzhou Zhenniu and Hangzhou Enniu, it was agreed that, in consideration of the services provided by Hangzhou Zhenniu, Hangzhou Enniu will pay service fees to Hangzhou Zhenniu. The service fees, subject to Hangzhou Zhenniu's adjustment, are equal to all of the net profit of Hangzhou Enniu and its subsidiaries and may also include retained earnings of Hangzhou Enniu from previous financial periods. Hangzhou Zhenniu may adjust the service fees at its sole discretion and allow Hangzhou Enniu to retain sufficient working capital to carry out any growth plans. Hangzhou Enniu shall deliver to Hangzhou Zhenniu their management accounts and operating statistics periodically. Accordingly, Hangzhou Zhenniu has the ability, at its sole discretion, to extract substantially all of the economic benefit of Hangzhou Enniu and its subsidiaries through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Option Agreement among the parties, Hangzhou Zhenniu has absolute control over the distribution of dividends or any other amounts to the shareholders of Hangzhou Enniu and its subsidiaries as Hangzhou Zhenniu's prior written consent is required and Hangzhou Zhenniu can request for immediate distribution of profits to be made.

As a result of these agreements, the Company has obtained control of Hangzhou Enniu and its subsidiaries through Hangzhou Zhenniu and, under the Company's sole discretion, can receive substantially all of the economic interest returns generated by Hangzhou Enniu and its subsidiaries. Accordingly, Hangzhou Enniu's results of operations, assets and liabilities, and cash flows are consolidated into the Company's financial statements.

In this regard, our Directors consider the Company can consolidate the financial results of Hangzhou Enniu into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of Hangzhou Enniu is disclosed in Note 2.2.1 to the Accountant's Report set out in Appendix I.

The revenue of Hangzhou Enniu and its subsidiaries for the years ended December 31, 2015, 2016 and 2017 were RMB89.7 million, RMB571.0 million and RMB2,268.6 million, respectively.

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### Overview

We are the largest P2P lending platform targeting credit card holders in China, as measured by loan facilitation volume in 2017, according to the Oliver Wyman Report. We also operate the largest online credit card management platform in China as measured by MAU in each of 2015, 2016 and 2017, according to the Oliver Wyman Report.

The average MAU of our credit card platform for 2015, 2016 and 2017 was 3.5 million, 4.6 million and 5.9 million, respectively, representing a CAGR of 29.0% and the MAU for December 2017 reached 7.0 million. Launched in 2012, we are the first online credit card management platform in China, offering highly demanded services such as managing multiple credit cards across different issuing banks, new credit card application and credit card bill repayment facilitation, according to the Oliver Wyman Report. As of December 31, 2017, we have successfully managed a cumulative number of 106.3 million credit cards with a record of facilitating credit card repayment transactions totaling RMB108.5 billion in 2017. As of March 31, 2018, the cumulative number of credit cards we have successfully managed reached 112.3 million and the total credit card repayment transactions we facilitated was RMB55.0 billion in the three months ended March 31, 2018. As of December 31, 2017 and March 31, 2018, our registered users reached 62.0 million and 65.3 million, respectively, on our credit card management platform and 81.0 million and 85.6 million, respectively, across all our Apps.

We are endowed with competitive advantages by owning a highly valuable user base. Most of our credit card management users have multiple credit cards. They are credit active, accustomed to higher level of consumption and are interested in using innovative financing platforms to fulfill their evolving financial needs. In 2017, 77.6% of those who manage their credit cards on our platform had interest-bearing balance history in their credit card record.

We are the largest online credit card application platform in China in terms of the number of credit cards issued through us in 2017, according to the Oliver Wyman Report. Particularly, we offer co-branding credit cards through our in-depth cooperation with several credit card issuing banks, through which we are able to share the income generated from such co-branding credit cards with these banks for a number of years. We believe our co-branding credit cards business has a sustainable growth potential.

Through our credit card management platform, we have accumulated a vast number of highly valuable and credit active users with established credit profile. We took our business model into the next level by strategically entering into online credit facilitation and investment market in 2015. Within two years, our online consumer finance marketplace became the largest online consumer finance marketplace targeting credit card holders, as measured by loan facilitation volume in 2017, according to the Oliver Wyman Report.

We have accumulated a wealth of valuable credit data through our credit card management services for tens of millions of users, which includes credit card transaction records from different banks, consumption history across different use cases, and repayment data through users' life cycles. Compared to other types of data, we believe our first-hand credit data not only reflect users' ability to repay a loan, but also their willingness in doing so and is thus more relevant for users' creditworthiness evaluation.

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Building upon the vast amount of credit data generated from our credit card management platform and the high volume of transaction data from our consumer finance marketplace, we have independently developed a comprehensive credit analytics system, iCredit, to enhance our risk management capabilities. Our big data technology utilizes machine learning to build risk management models analyzing over 20 dimensions of data and more than 10,000 variables. We believe our unique data source and insight and data analytics capabilities establish an entry barrier to other market participants.

Leveraging the highly-valuable user base and the personal credit data accumulated from our personal credit management services, we have gradually developed into a dynamic and self-reinforcing ecosystem providing users with one-stop personal financial services covering personal credit management, credit card technology services, and online credit facilitation and investment services.

- ***Personal Credit Management Services***

We provide personal credit management services primarily to credit card holders through our 51 Credit Card Manager App. Our wide range of personal credit management services includes (i) management of credit card bills and household bills and records such as home mortgage, automobile loans and utilities bills; (ii) repayment facilitation of credit card bills and other bills; and (iii) other value-added services, such as checking and monitoring the balance of housing provident fund. We enjoy a large user base for our flagship credit management service: the cumulative number of registered users of our 51 Credit Card Manager App increased at a CAGR of 50.0%, from 27.5 million as of December 31, 2015 to 42.2 million as of December 31, 2016 and further to 62.0 million as of December 31, 2017. As of March 31, 2018, the cumulative number of registered users of our 51 Credit Card Manager App further increased to 65.3 million. The cumulative number of credit cards we had managed increased from 48.9 million as of December 31, 2015, to 75.3 million as of December 31, 2016 and 106.3 million as of December 31, 2017, representing a CAGR of 47.5% and further increased to 112.3 million as of March 31, 2018. Our personal credit management services business serves as the main entrance to our ecosystem and enables us to attract and retain a large user base for our future business growth.

- ***Credit Card Technology Services***

We enable our users to conveniently compare and apply for credit cards that suit their profile and credit needs through our credit card technology services. In 2015, 2016 and 2017, the number of new credit cards issued through us was 0.5 million, 1.2 million and 2.1 million, representing a CAGR of 114.0%. In the three months ended March 31, 2018, the number of new credit cards issued through us was 0.7 million. In addition, we have developed in-depth cooperation with several credit card issuing banks in the areas of data application, credit analytics and risk profiling to offer our co-branding credit cards since April 2017, through which we are able to share the income generated from the co-branding credit cards with these banks for a number of years. As of December 31, 2017, the cumulative number of co-branding credit cards issued was 100,905 and 67,403 of them were issued in the fourth quarter of 2017. We believe that our credit card technology services business has sustainable growth potential.

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- ***Online Credit Facilitation and Investment Service***

We operate the largest online consumer finance marketplace targeting credit card holders. Compared to time-consuming and frustrating loan application process offered by traditional financial institutions, we offer our users quick, simple and convenient access to credit at affordable pricing and flexible terms through our Apps to fulfill their immediate financial needs. Besides serving borrowers who are credit card holders, we recognize a vast number of potential borrowers who are non-credit-card holders and underserved or unserved by traditional financial institutions due to the lack of credit infrastructure. We fill this gap with comprehensive loan product offerings to address a myriad of borrowing needs. We facilitate loan products to our users through both our 51 Credit Card Manager App and other Apps.

During the Track Record Period, we have experienced substantial growth in credit facilitation and investment business. Our loan facilitation volume increased at a CAGR of 544.7% from RMB815.3 million in 2015 to RMB10,299.3 million in 2016 and further to RMB33,890.6 million in 2017. All of our loans are unsecured and are funded primarily by individual investors of our platform through 51 Credit Card Manager App and other Apps. As a majority of our individual investors are also our credit card management users, we are able to attract a large investor base and stable and adequate funding source from individual investors without incurring significant investor acquisition costs. Our online credit facilitation and investment services business demonstrates the high value of our users and contributes stable revenue and cash flow to us.

These three services we offer interact and support each other in a spontaneous and organic manner, creating a dynamic ecosystem. In 2017, approximately 74.1% of transactions of our loan products targeting credit card holders were derived from our credit card management users, a testimony of our strong capability in converting credit card management users into our borrowers. Our ecosystem is further strengthened by other participants, including banks offering convenient credit card application through our platform and other online consumer finance marketplaces enabling our users to further explore a variety of loan products. Compared to other online consumer finance market participants, we believe that our ecosystem maintains a more dynamic and frequent user interaction and offers a more comprehensive products and services, which enable us to develop a differentiated user acquisition model, attract and retain a large user base, and achieve sustainable growth potential.

We do not charge users for personal credit management services, but utilize personal credit management services as a main channel to attract, acquire and nurture revenue-generating users of our credit card technology services and online credit facilitation and investment services. During the Track Record Period, our online credit facilitation and investment services constituted our main revenue stream. Our revenue increased at a CAGR of 402.9% from RMB89.7 million in 2015 to RMB2,268.6 million in 2017. Our adjusted operating profit/(loss), which is our operating profit or loss excluding share-based compensation expenses and listing expenses, was a loss of RMB147.6 million in 2015, and a profit of RMB86.6 million and RMB777.2 million, respectively, in 2016 and 2017. Our adjusted net profit/(loss), which is our profit or loss excluding share-based compensation expenses, fair value loss of preferred shares, extinguishment gain/(loss) of preferred shares and finance expenses related to our preferred shares and listing expenses, was a loss of RMB101.2 million in 2015 and a profit of RMB53.5 million and RMB743.8 million, respectively, in 2016 and 2017. In 2016 and 2017, our adjusted operating profit margin was 15.2% and 34.3%, and our adjusted net profit margin was 9.4% and 32.8%. Please see “Financial Information — Non-IFRS Measures” for more information.

### Our Strengths

#### *China's Largest Online Credit Card Management Platform with Differentiated User Acquisition Model and Highly Valuable User Base*

We operate the largest online credit card management platform in China as measured by MAU in each of 2015, 2016 and 2017, according to the Oliver Wyman Report. The average MAU of our platform for 2015, 2016 and 2017 was 3.5 million, 4.6 million and 5.9 million, respectively, representing a CAGR of 29.0% and the MAU for December 2017 reached 7.0 million. Launched in 2012, we are the first online credit card management platform in China, offering highly demanded services such as managing multiple credit cards across different issuing banks, new credit card application and credit card bill repayment facilitation, according to the Oliver Wyman Report. As of December 31, 2017, our registered users reached approximately 81.0 million and we managed 106.3 million credit cards as of December 31, 2017, with a record of facilitating a total of RMB108.5 billion credit card repayment transactions in 2017. As of March 31, 2018, the cumulative number of registered users of our 51 Credit Card Manager App further increased to 65.3 million and we managed 112.3 million credit cards as of the same date, with a record of facilitating total credit card repayment transactions in the amount of RMB55.0 billion in the three months ended March 31, 2018. In addition, according to the Oliver Wyman Report, we are the largest independent online credit card application platform in China in terms of the number of credit cards issued through us in 2017.

By leveraging our pioneering credit card management platform, we have attracted and nurtured a large number of users, which enabled us to develop a cost-effective and differentiated way of user acquisition for related financial services we offer. We translate and consolidate complicated data from our user's credit card bills into clear, concise and integrated consumption and credit history information easily accessible from users' mobile phones. This information serves as the basis for our users to manage their debts efficiently and repay their credit card bills on time. In addition, we have also extended and upgraded our credit card management services to personal credit management services to enable our users to manage a full spectrum of bills and records they encounter in their daily lives through our platform, such as home mortgage, automobile loans, utilities bills, housing provident fund and other personal installment loans. The superior credit management experience we offer has deepened the trust users place upon us and greatly enhanced our user stickiness. Our user acquisition cost was RMB19.2 per registered user in 2017.

We are endowed with competitive advantages by owning a highly valuable user base. Most of our credit card management users have multiple credit cards. They are credit active, accustomed to higher level of consumption and interested in using innovative financing platforms to fulfill their evolving financial needs. As of December 31, 2017, 68.8% of those who manage their credit cards on our platform held multiple credit cards. In 2017, 77.6% of those who manage their credit cards on our platform had interest-bearing balance history in their credit card record. These users also feature high level of creditworthiness, evidenced by their passing the strict credit card screening process conducted by traditional financial institutions and by their willingness and diligence in taking ownership of their credit card bills and managing them in a systematic and organized manner. The credit data we have



accumulated include credit card transaction records across different banks, consumption history from different use cases, and repayment data through users' life cycles. Compared to other types of data, we believe our first-hand credit data not only reflect users' ability to repay a loan, but also their willingness in doing so and is thus more relevant for users' creditworthiness evaluation.

### *Dynamic and Self-reinforcing Ecosystem*

With our credit card management platform serving as the foundation and entry point, we develop and operate a dynamic and self-reinforcing ecosystem addressing a spectrum of our users' financial needs. We enable our users to conveniently compare and apply for credit cards that suit their profile and credit needs through our credit card technology services, which in turn help them build their credit record and achieve better credit management. Our credit card management users actively monitor their credit card bills and other personal financial liabilities and receive periodic repayment reminders from us. With this information, our credit active users may consider taking extra credits to satisfy their ongoing financial needs. For users who look for investment opportunities, we provide them with convenient and diversified investment opportunities.

Gradually, we have established a coherent and dynamic ecosystem comprising of three main services: personal credit management services, credit card technology services and online credit facilitation and investment services. These three services connect and support each other in an organic manner. Users applying for credit cards through our platform will naturally use our personal credit management services to manage their credit cards bills. Users with borrowing needs serve the needs of users who are looking for attractive and easily accessible opportunities to invest their spare funds. Our users can conveniently repay their credit card bills and other personal financial liabilities managed through our platform with their investment balance, without the hassle of transferring money between different bank accounts. The conversion of our users across these three businesses often happens spontaneously, creating a dynamic ecosystem. In 2017, approximately 74.1% of transactions of our loan products targeting credit card holders came were derived from our credit card management users, a testimony of our strong capability in converting credit card management users into our borrowers. By virtue of this virtuous and self-satisfying cycle, we have not only maintained low user acquisition cost compared with our competitors, our comprehensive products and services offerings also create significant cross-selling opportunities throughout a user's life cycle.

Our ecosystem is further strengthened by other participants, including banks offering convenient credit card application process through our platform and other online consumer finance marketplaces enabling our users to further explore and compare a variety of loan products. Particularly, we have developed in-depth cooperation with several credit card issuing banks in the areas of data application, credit analytics and risk profiling to offer our co-branding credit cards, through which we are able to share the income generated from such co-branding credit cards with these banks for a number of years. The increasing interactions among our third-party participants bring value to our users by enriching their overall experience with our platform, which in turn helps us to attract a larger user base and more value-added participants into our ecosystem, strengthening network effects. By catering to each individual's personalized and evolving needs, we have fostered a sustainable and self-reinforcing ecosystem that optimizes our user acquisition cost, increases our user stickiness, scales up our business and reinforces our market position.

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### ***Leading Consumer Finance Marketplace Targeting Credit Card Holders with Diversified Product Offerings***

We operate the largest online consumer finance marketplace primarily targeting credit card holders, as measured by loan facilitation volume in 2017, according to the Oliver Wyman Report.

Through our credit card management platform, we have accumulated a vast number of highly valuable and credit active users with established credit profile. Compared to time-consuming and frustrating loan application process offered by traditional financial institutions, we offer our users quick, simple and convenient access to credit at affordable pricing and flexible terms through our mobile application to fulfill their immediate financial needs. At the same time, the transaction volume of our loan products targeting credit card holders has increased at a CAGR of 417.7% from RMB815.3 million in 2015 to RMB9,285.6 million in 2016 and further to RMB21,854.7 million in 2017. The transaction volume of our loan products targeting credit card holders was RMB4,501.9 million in the three months ended March 31, 2018.

Besides serving prime borrowers who are credit card holders, we recognize a vast number of potential borrowers who are non-credit-card holders and underserved or unserved by traditional financial institutions due to the lack of credit infrastructure. We fill this gap with comprehensive loan product offerings to address a myriad of borrowing needs. By helping non-credit-card holders build their personal credit profiles through credit transactions at our platform, we enable them to achieve better personal credit management at our platform and eventually become credit card holders through our new credit card application services. As a result, we are well positioned to capture a large and growing user base in our ecosystem.

### ***Access to High Quality Data and Advanced Technology Capabilities***

We have accumulated a wealth of valuable credit data through our credit card management services for tens of millions of users, which we believe not only reflect users' ability to repay a loan, but also their willingness in doing so and thus are more relevant for user creditworthiness evaluation.

Building upon the vast amount of credit data generated from our credit card management platform and the high volume of transaction data from our consumer finance marketplace, we have established an automatic and data-driven risk management system. Our big data technology utilizes machine learning to build risk management models analyzing over 20 dimensions of data and more than 10,000 variables. The risk assessment system is continuously calibrated with more data and expert knowledge. To effectively handle a growing number of loan application, we have developed an automated credit scoring system that adopts tiered risk pricing strategies to manage borrower risk and screen for fraudulent applications. Our post-loan risk management system analyzes user overdue in order to enhance the efficiency of overdue loan collection process. We believe our unique data source and insight and data analytics capabilities establish a unique competitive advantage over other market participants.

In addition, our database allows us to build a precise user profile for every applicant, which enables us to better design and execute targeted advertising campaign, products cross-selling and service promotion. For example, we deliver tailored credit card application and credit application

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recommendations to users based on their consumption patterns and credit history. This user management and marketing strategy effectively prompts our credit card management users to try out other financial services available on our platform. Furthermore, leveraging our unique data source and advanced data analytics capabilities, we have developed in-depth cooperation with several credit card issuing banks in the areas of data application, credit analytics and risk profiling to offer our co-branding credit cards to targeted credit cards applicants.

### ***Stable Funding Source Fueling Rapid Growth***

We fund our loan products primarily through investment from our individual investors and, to a lesser extent, institutions including licensed financial institutions such as banks, consumer finance companies and trust, and our own micro loan subsidiary. As of December 31, 2015, 2016 and 2017, approximately 98.5%, 85.3% and 77.0% of funding for our loan products came from our individual investors.

As a majority of our individual investors are also our credit card management users, we are able to attract a large investor base and stable funding source from individual investors without incurring significant investor acquisition costs. The number of our investors increased from approximately 0.4 million in 2015 to 1.9 million in 2016 and further to 3.0 million in 2017, and the average investment balance per investor was RMB15,531.7 as of December 31, 2015, RMB14,822.1 as of December 31, 2016 and RMB20,614.3 as of December 31, 2017. Our business model frees us from the heavy reliance on external funding sources and makes us less sensitive to changes of overall liquidity in the financial market. Based on the growing users of our platform, we are able to undergo rapid growth of business while maintaining competitive overall funding costs.

### ***Visionary and Experienced Management Team***

We believe that excelling in the fin-tech sector in China requires in-depth technology and finance expertise, extensive local know-how and strong execution capability. Our management team, with an average of approximately 15 years of working experience, has accumulated abundant knowledge of China's internet, financial and technology sectors. Mr. Sun Haitao, our founder, chairman and chief executive officer, has over 10 years of experience in the technology and financial industry. Under Mr. Sun's leadership, our senior management team's vision and entrepreneurial spirit have led us to adjust our business strategies in a timely manner to capture market opportunities. They form the backbone of our talent team and are the foundation upon which we build our success.

### **Our Strategies**

We aim to make it easy for the Chinese people to manage and access credit. We plan to pursue the following strategies to achieve our goal:

#### ***Continue to expand our user base and services***

Credit card holders constitute an important source of our user base. China's credit card market has been growing rapidly over the past few years. According to the Oliver Wyman Report, the cumulative number of active credit cards in China was 587.5 million as of December 31, 2017 and is

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expected to reach 1,050.4 million by December 31, 2021. At the same time, interest-bearing balance of credit cards is expected to increase from RMB2,025.8 billion as of December 31, 2017 to RMB6,553.6 billion as of December 31, 2021. However, the penetration rate of credit card is still relatively low in China. As of December 2017, according to the Oliver Wyman Report, only 20.1% of the population had credit cards, and each person owned 0.6 credit cards in China while in the US, 55.2% of total population were credit card holders and each person owned 2.0 credit cards on average. Given this huge potential and rapid growth of the credit card market, we strive to capture market opportunities and reinforce our market leadership. We strive to expand our user base by serving a larger group of non-credit-card holders. Specifically, we will help them establish their credit profiles through offering of loan products to them and streamline the process of credit card application made through our platform to assist non-credit-card holders to become credit card holders and even holders of multiple credit cards. In addition, we will continue to maintain a conservative credit assessment standard with respect to our loan products serving non-credit card holders, and although the absolute volume of our loan products serving non-credit card holders may continue to grow, we expect that they will represent a smaller percentage of our total loan facilitation volume in the future.

In addition, we endeavor to continuously extend and upgrade our personal credit management services to attract more credit and users and enhance users' overall activeness in our platform through deeper interactions with each individual user throughout his or her life cycle and further increase our market penetration.

### *Continue to strengthen our credit card technology services*

We plan to expand the scale of our credit card technology services through a more convenient application process and a more efficient precision marketing. We also aim to deepen our collaboration with credit card issuing banks to explore new business model and fee sharing arrangement. In particular, we will focus on promoting our co-branding credit cards to increase our revenue, expand our user base, increase user stickiness and improve conversion rate of non-credit-card holders to credit card holders.

### *Enhance our capability to capitalize the credit facilitation business*

We will continue to optimize our credit scoring system and risk pricing capabilities to design loan products with more personalized terms and interest rates, satisfy our users' evolving financial needs and increase the overall conversion ratio from credit card management users to borrowers and investors in our platform. We endeavor to improve our precision marketing strategies to identify our users' evolving financial needs. We will utilize various promotion to reach out to and incentivize users with large potential financing needs to try out our credit facilitation services. In addition, we will continuously improve our user experience by refining the credit assessment process, shortening the time from credit application to fund dispatch, and engaging other efforts to make borrowing quicker and more convenient. For our existing borrowers, we will further simplify the loan application process based on the cumulated data and credit records to incentivize repeated borrowings.

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### *Further strengthen our technology capabilities*

In order to further strengthen our advantages in data analytics, precision marketing and risk management, we will continue to invest in all aspects of our technology capabilities, including:

- to deploy new dimensions of user behavior data and optimize our proprietary big data analysis model in order to increase the precision of our risk pricing and credit assessment, strengthen our anti-fraud capabilities, and improve the prediction capabilities of our risk management system;
- to increase the precision of user profiling and the efficiency of precision marketing to convert more users into borrowers and investors; and
- to further explore the business opportunities of monetizing our big data capability and establish an open platform with our peer companies to cooperate in the areas of data acquisition and anti-fraud.

### *Pursue strategic acquisition, investment and alliances opportunities*

We will continue to evaluate business opportunities to supplement our ecosystem. We have selectively made strategic acquisition and investment and form alliances to create synergies in order to supplement our existing products and services offerings and expand our ecosystem. We established 51 Industry Fund, a private equity platform with a series of investment funds. As of December 31, 2017, together with 51 Industry Fund, we had invested in over 20 companies.

We believe these opportunities will strengthen our talent pool, expand our user base and broaden our service offerings and therefore facilitate a long-term growth of our platform and the development of a dynamic ecosystem.

### **Our Ecosystem**

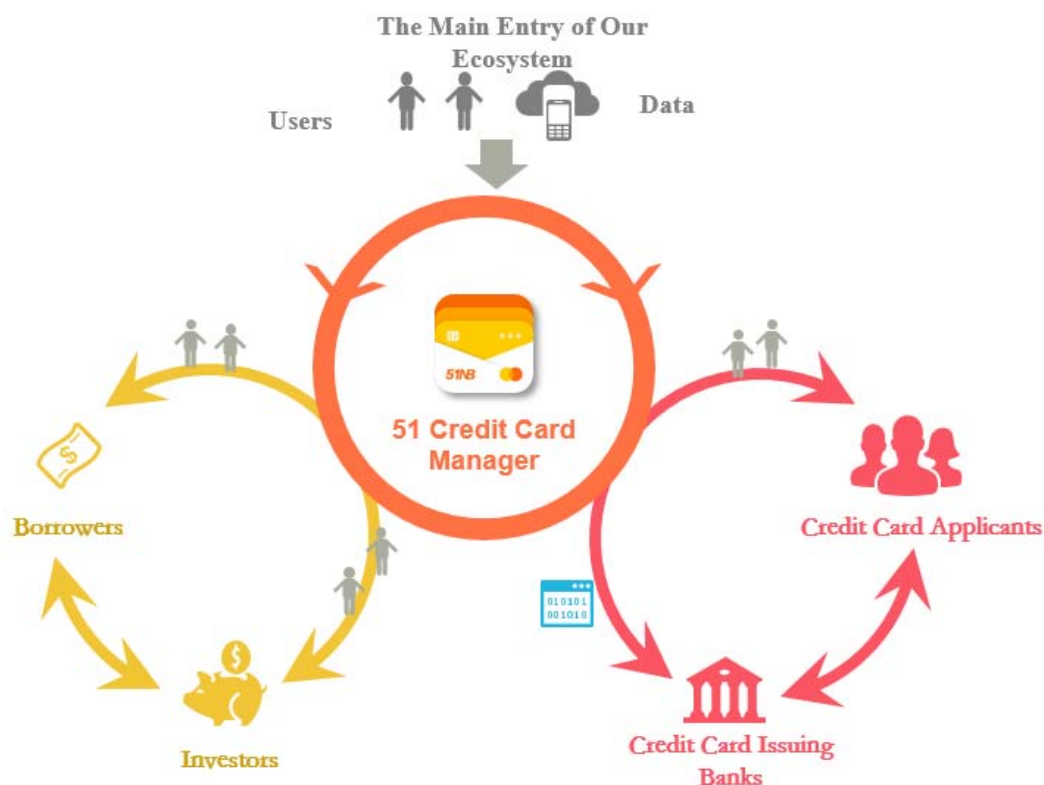
We started our business from offering personal credit management services since 2012 through the 51 Credit Card Manager App, the first online credit card management application emerged in China and the main entrance to our ecosystem. Leveraging the highly-valuable user base and the tremendous personal credit data accumulated from our personal credit management services, we have gradually developed into a dynamic and self-reinforcing ecosystem comprising of three main services: personal credit management services, credit card technology services and online credit facilitation and

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investment services. These three services connect and support each other in an organic manner, as illustrated by the diagram below. The interaction among the products and services we provide has efficiently enhanced the user stickiness to our ecosystem.



### *Personal Credit Management Services*

Our credit card management users are primarily credit card holders with multiple credit cards and credit record. We initially provide them with credit card management service including bill management and repayment facilitation. We have also extended and upgraded our credit card management service to personal credit management services and enable our users to manage through our mobile application a full spectrum of bills they encounter in daily lives, such as home mortgage, automobile loans and utilities bills. Our personal credit management users actively monitor their credit card bills and other personal financial liabilities via our platform and receive periodic repayment reminders. With this information, they may consider taking on extra credits to satisfy their ongoing financial needs. For users looking for short-term investment opportunities, we provide them with convenient and diversified investment options.

### *Credit Card Technology Services*

We enable our users to conveniently compare and apply for credit cards that suit their profile and credit needs through our credit card technology services. In 2017, 60.2% of the active users of our credit card management platform initiated credit card applications through us. Users applying credit

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cards through our platform will naturally use our personal credit management services to manage their credit cards bills, which help them build up their credit record and achieve a better credit management. We also offer co-branding credit cards through our in-depth cooperation with several credit card issuing banks in the areas of data application, credit analytics and risk profiling. Through the issuance of co-branding credit cards, we are able to secure long-term revenue stream by sharing interest income of our co-branding credit cards with credit card issuing banks.

### *Online Credit Facilitation and Investment Services*

We facilitate loan products to serve both credit card holders who have passed the credit criteria set by issuing banks and people who do not have credit cards and lack credit records. We also provide online investment services to investors. The loans we facilitated are funded primarily by individual investors at our platform and, to a lesser extent, institutions including licensed financial institutions such as banks, consumer finance companies and trust, and our own micro loan subsidiary. Through 51 Credit Card Manager App and our other Apps for loan products and investment services, we satisfy our users' evolving financing and investment needs by efficiently matching borrowers with investors and executing loan and investment transactions. The conversion of users among our three businesses happens spontaneously. In 2015, 2016 and 2017, 100.0%, 89.9% and 74.1% of our 51 Renpin Loan transactions, respectively, were initiated from our 51 Credit Card Manager App and 17.0%, 61.7% and 67.8% of our newly-acquired investors were converted from our 51 Credit Card Manager App, respectively.

### *Other Components of Our Ecosystem*

Our platform is an open platform. Leveraging the highly valuable mobile traffic on our platform and our data analytics capabilities and robust risk management capabilities, our platform attracts third-party business partners such as credit card issuing banks and external online consumer finance platforms. For example, we list loan products from external online consumer finance platforms on our Apps, enabling our users to further explore and compare a variety of loan products.

Moreover, we continue to selectively make strategic acquisitions and investments and form alliances to create synergies in order to supplement our existing products and services offerings and expand our ecosystem. We established 51 Industry Fund, a private equity platform with a series of investment funds. As of December 31, 2017, 51 Industry Fund had invested in nine companies and we joined 51 Industry Fund in some of these investments as a co-investor. As of December 31, 2017, we had invested in over 20 companies.

### *Value Proposition to Users of Our Ecosystem*

Our platform provides users with convenient and reliable bill management services and enables them to manage repayments efficiently and have a comprehensive and in-depth view of their financial liabilities. In addition, users have quick and convenient access to other comprehensive services on our platform including credit card application, loan facilitation and investment to meet their various personal financial needs.



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Leveraging the large amount of credit data accumulated on our platform to assess risk and determine the creditworthiness of borrowers, our platform provides borrowers who are underserved or unserved by traditional financial institutions with access to credit. We are able to offer borrowers loan products with appropriate interest rates based on our superior risk management model and pricing system. Through our streamlined transaction process, borrowers are able to enjoy quick access to credits.

Our platform offers investors flexible investment opportunities, enabling them to diversify their investment portfolio and reduce investment risks. To mitigate against our investors' exposure to default risks, our investor protection mechanism provides make-up payments to the investor when a borrower fails to satisfy his interest or principal repayment obligations, up to the available balance of the fund held under the investor protection program account managed by an independent guarantee company.

### *Value Proposition to Other Participants of Our Ecosystem*

For traditional financial institutions in China that have been looking to expand into consumer finance and to expand their business through mobile and online channels, we equip them with big data-driven technological capabilities to compete effectively in an increasingly technology-driven market. In particular, by collaborating with several credit card issuing banks to offer our co-branding credit cards, we empower them in the areas of data application, credit analytics and risk profiling and link them to their target customers, enabling them to expand their customer base. In addition to traditional financial institutions, there are also emerging technology-enabled financial service providers that leverage our technology capabilities in data acquisition and analytics. As our platform has accumulated a sizable population of users and processed unparalleled transactions volumes in loan facilitation, we provide external online consumer finance platforms with access to an enlarged borrower base.

### *Mobile Applications*

We provide our services purely through our independently developed mobile Apps and we pride ourselves in the superior user experience that our mobile Apps offer. 51 Credit Card Manager, our flagship mobile App and the primary entry to our ecosystem, enables our users to access a full spectrum of services we provide ranging from personal credit management services, credit card technology services to online credit facilitation and investment services. We also deliver our services through several product-specific mobile Apps: borrowers can conveniently apply and access our loan products through our mobile Apps of 51 Renpin Loan and Geinihua while investors can easily make their investments and subscribe loans through the 51 Renpin App. The philosophy in designing and improving our Apps is to empower everyone to understand the benefits and risks entailing in each transaction and how our platform can facilitate their borrowing and investing transactions.

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### **Our Users**

#### *Users*

As of December 31, 2017 and March 31, 2018, we have served a cumulative number of approximately 81.0 million and 85.6 million registered users of our ecosystem, respectively.

Our target users in personal credit management services are primarily credit card holders. As of December 31, 2015, 2016 and, 2017 and March 31, 2018, the cumulative number of registered users of 51 Credit Card Manager App was 27.5 million, 42.2 million, 62.0 million and 65.3 million, respectively, and approximately 70% of our users using credit card bill management service have more than one credit card.

We provide our users with convenient comparison and applications for credit cards that suit their profile and credit needs through our credit card technology services, empowering them to build their credit record and achieve a better credit management. In 2015, 2016 and 2017, the number of credit cards successfully issued through our credit card application services was 0.5 million, 1.2 million and 2.1 million, respectively. In the three months ended March 31, 2018, the number of credit cards successfully issued through our credit card application services was 0.7 million. In addition, since the commencement of our co-branding credit card services in April 2017, we have experienced significant rapid growth. As of December 31, 2017, the cumulative number of co-branding credit cards issued was 100,905 and 67,403 of them were issued in the fourth quarter of 2017.

While our target borrowers are primarily credit card holders who have passed the credit criteria set by issuing banks, we have also expanded our user base to include individuals with no credit records who are underserved or unserved by traditional financial institutions. As of December 31, 2017, we facilitated loan products to a cumulative number of 2.9 million borrowers. We have undergone tremendous growth in the number of borrowers in recent years, from 0.03 million in 2015 to 0.5 million in 2016 and further to 2.6 million in 2017.

We endeavor to provide services to people with investment demands. We have experienced strong growth in the number of active individual investors in recent years, from 385,818 in 2015 to 1,873,768 in 2016 and further to 2,980,356 in 2017.

#### *User Acquisition and Retention*

We attract all of our users from online channels. Our user acquisition efforts are primarily directed towards providing services satisfying our target users' personal credit management needs and enhancing our brand awareness.

In our dynamic ecosystem, our personal credit management services, credit card technology services and online credit facilitation and investment services connect and support each other in an organic manner. The conversion from our personal credit management users to borrowers and

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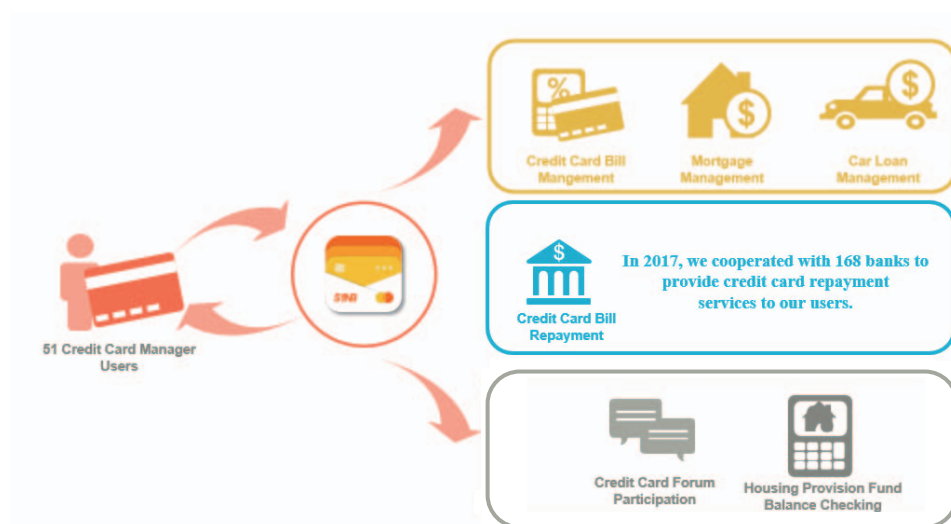
investors often happens spontaneously. In 2015, 2016 and 2017, 100.0%, 89.9% and 74.1% of our 51 Renpin Loan transactions were initiated from our 51 Credit Card Manager App and 17.0%, 61.7% and 67.8% of our newly-acquired investors were converted from users of our 51 Credit Card Manager App, respectively. Our average new user acquisition cost was RMB19.2 per registered user in 2017.

We also advertise our products and services through cooperation with App stores, search engines, third-party Apps and WeChat public accounts. In addition, we conduct a variety of promotions to attract new and retain existing users, including repayment coupons, cash coupons for investment and borrowing, interest discount coupons for loan products and referral rewards. We continue to provide existing users with extensive products and services and convenient features at their fingertips to enhance user stickiness. For example, through offering users bill repayment facilitation and credit card application services, we are able to satisfy user's need of integrated one-stop credit management services and increase their stickiness to our platform.

### Our Personal Credit Management Services

#### Overview

We provide personal credit management services primarily to credit card holders through our 51 Credit Card Manager App. As illustrated by the diagram below, we offer our users a wide range of personal credit management services which include (i) management of credit card bills and household bills and records such as home mortgage, automobile loans, and utilities bills; (ii) repayment facilitation for credit card bills and other liabilities; and (iii) other value-added services, such as checking and monitoring the balance of housing provident fund.

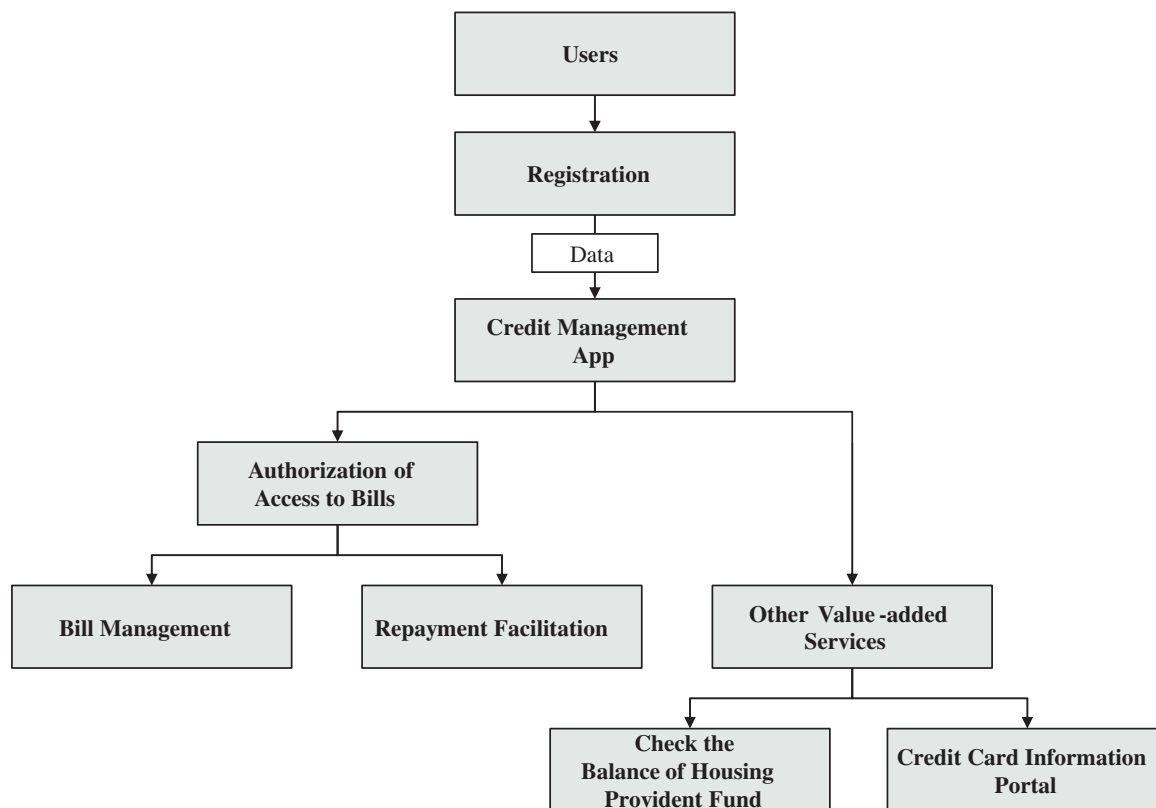


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The below diagram illustrates the operation of our personal credit management services.



### *Services*

#### *Bill Management Services*

We endeavor to provide users with convenient and reliable bill management services. As of December 31, 2017, we have successfully managed a cumulative number of 106.3 million credit cards and in 2017 alone, the total number of credit card we managed amounted to 46.9 million. As of March 31, 2018, the cumulative number of credit cards we have successfully managed reached 112.3 million and the total credit card repayment transactions we facilitated was RMB55.0 billion in the three months ended March 31, 2018. Our proprietary technology enables us to retrieve credit card bills upon users' authorization, significantly saving users' time from manually keeping track of their bills. In addition, we have also extended and upgraded our credit card bill management service to enable our users to manage on our platform a full spectrum of bills they encounter in their daily lives, such as home mortgage, automobile loans, and utilities bills. Users are able to manage bills across multiple credit cards issued by different banks and various kinds of liabilities on one single interface of the 51 Credit Card Manager App. Armed with a comprehensive and clear understanding of their liabilities, users can then turn on automatic repayment function to avoid late payment.

The comprehensive and in-depth view of overall personal liabilities promotes the users to use other services we offer, including credit card application services, online credit facilitation and investment services on a more informed and responsible basis. This business model enhances user experience and growth in the long-run.

### *Bill Repayment facilitation*

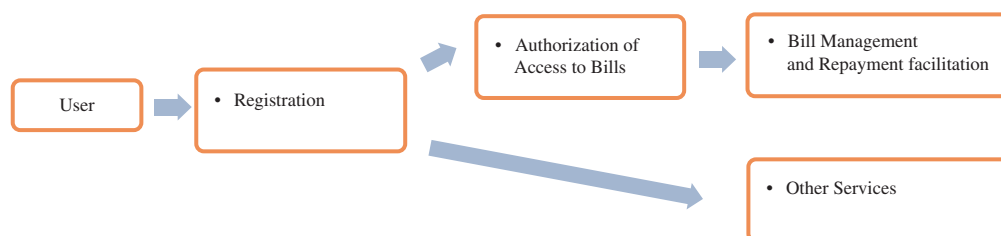
Our 51 Credit Card Manager App supports users to repay credit card bills and household bills and credits such as home mortgage, automobile loans and utilities bills, in a quick and convenient way. In 2017, we extended our services relating to repayment to 168 banks, enabling our users to repay bills and other liabilities directly and automatically to these banks through the 51 Credit Card Manager App. Users who also use our investment services are able to make repayment directly from their investment balance at our platform. In 2015, 2016 and 2017, the total transaction volume of repayment of credit card bills and other liabilities through the 51 Credit Card Manager App was RMB21.1 billion, RMB32.1 billion and RMB109.1 billion, respectively and 2.5%, 51.0% and 34.1% out of this total transaction volume was made from 51 Renpin, respectively. In the three months ended March 31, 2018, the total transaction volume of repayment of credit card bills and other liabilities through the 51 Credit Card Manager App was RMB55.0 billion.

### *Other Value-added Services*

To provide users with comprehensive and convenient personal credit management services, we have continuously developed various value-added services. For example, users are able to check the balance of housing provident fund through our 51 Credit Card Manager App. In addition, in 2017, we strategically acquired a 49.6% equity interest in 51credit.com (“我愛卡”), China’s largest dedicated credit card information portal as measured by monthly UV in 2017, which amounted to 30.8 million in December 2017. 51credit.com’s users share their experiences of credit card applications and uses of credit cards and compare benefits offered by different credit cards and issuing banks. As the largest shareholder of 51credit.com, we enjoy significant synergies with 51credit.com, whose users can easily find a short-cut to our platform and access a full spectrum of our services our credit cards application service in particular, which in turn enlarges our user base. We are also able to promote our products and launch campaigns directly through 51credit.com.

### *Service Process*

We design the service process on the 51 Credit Card Manager App to be simple, convenient and efficient. The following diagram illustrates a simplified service process of the 51 Credit Card Manager App:



- **Registration**

Users must first register an account by providing basic personal information, including mobile phone number or account information of social medias.

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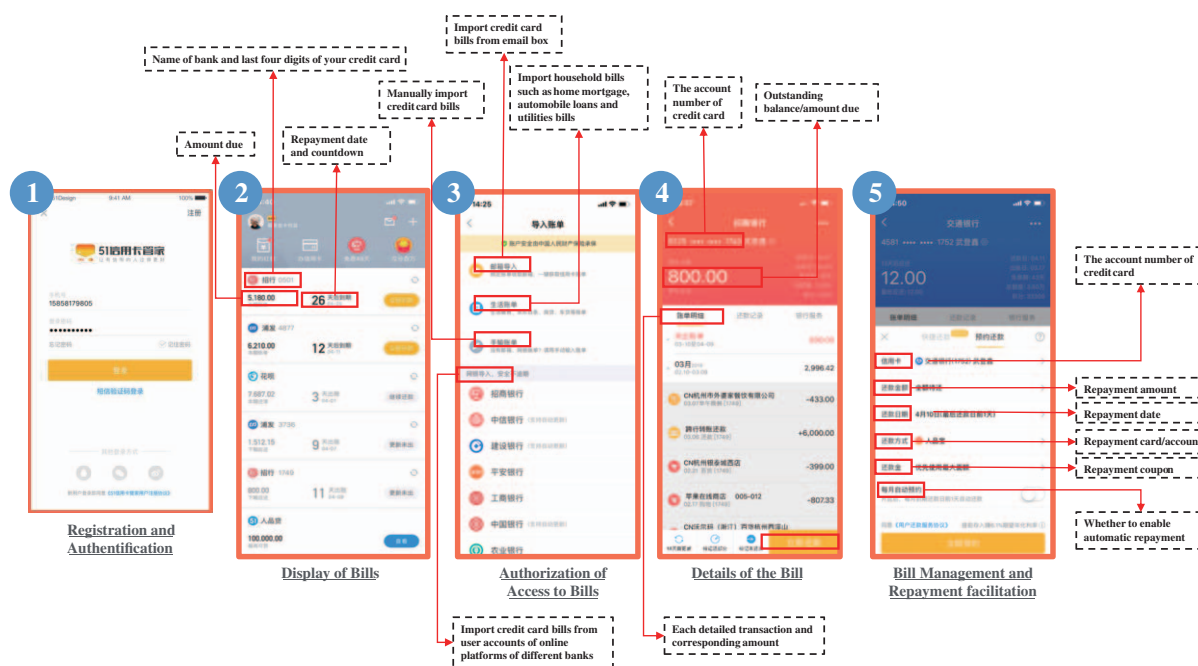
- Authorization of Access to Bills

In order to use bill management and repayment facilitation, users usually link one or more credit card(s) and provide authorization for retrieving their credit card bills through their email account, short message service or other means. Our proprietary technology enables us to retrieve and analyze the credit card bills upon proper authorization and ensure the safety of user data. Alternatively, we allow users to manually record their credit card bills and other bills information. Users who intend to only use other services, such as credit card application services, may skip this stage.

- Access to Other Services

After completing the required process, users are able to use a wide range of value-added services within the 51 Credit Card Manager App, including credit card application, credit facilitation and investment and other value-added services.

The following screenshots provide a visual presentation of each stage of the transaction process of personal credit management services through the 51 Credit Card Manager App.



### Our Credit Card Technology Services

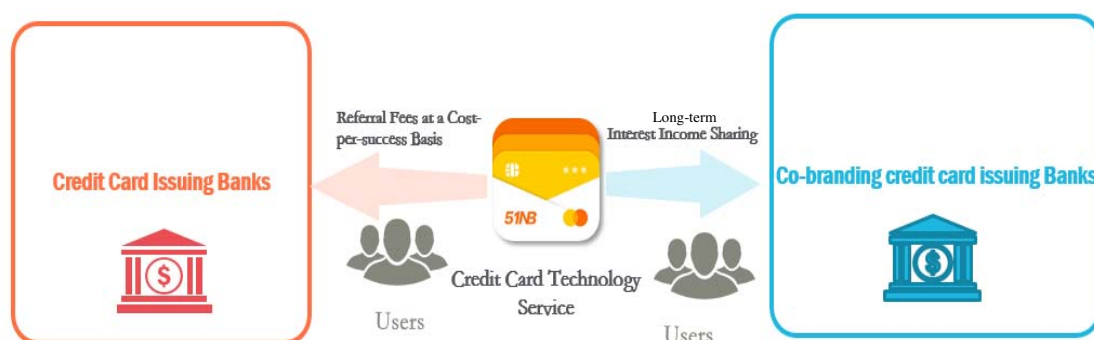
We enable our users to conveniently compare and apply for credit cards that suit their profile and credit needs through our credit card technology services. In particular, we have developed in-depth cooperation with several credit card issuing banks in the areas of data application, credit analytics and risk profiling to offer our co-branding credit cards starting from April 2017, through which we are able to share with these banks the interest income generated from the co-branding credit cards. In 2015, 2016 and 2017, the number of new credit cards issued through us was 0.5 million, 1.2 million and 2.1 million and as of December 31, 2017, the cumulative number of co-branding credit cards issued was

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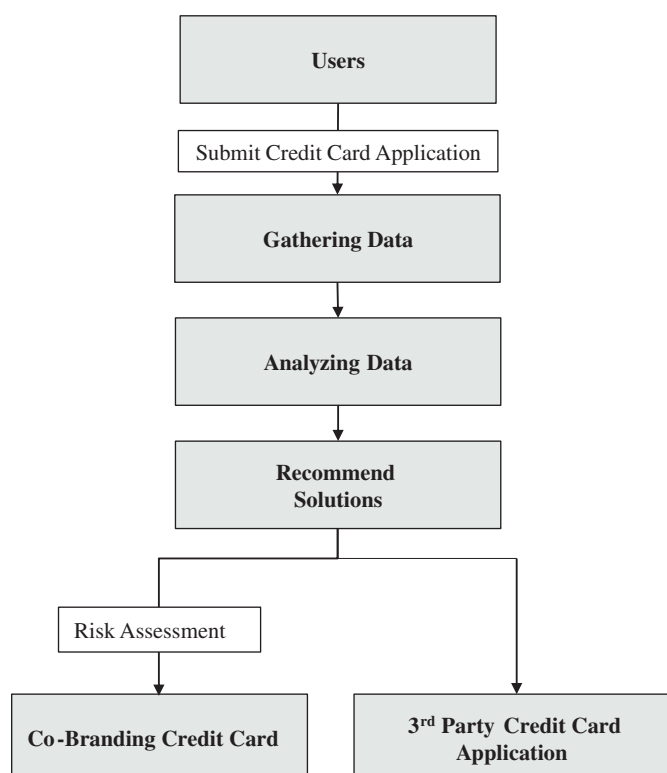
## BUSINESS

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100,905 and 67,403 of them were issued in the fourth quarter of 2017. In the three months ended March 31, 2018, the number of new credit cards issued through us was 0.7 million. The following diagram illustrates our collaboration with our credit card issuing bank partners in credit card technology service and the underlying business models.



The below diagram illustrates the operation of our credit card technology services.



### *Credit Card Application Services*

We started offering credit card application services on our 51 Credit Card Manager App in May 2014. As of December 31, 2017, we cooperated with 20 banks for online credit card applications on a nationwide basis. Users of the 51 Credit Card Manager App who tap on the icon of a bank displaced

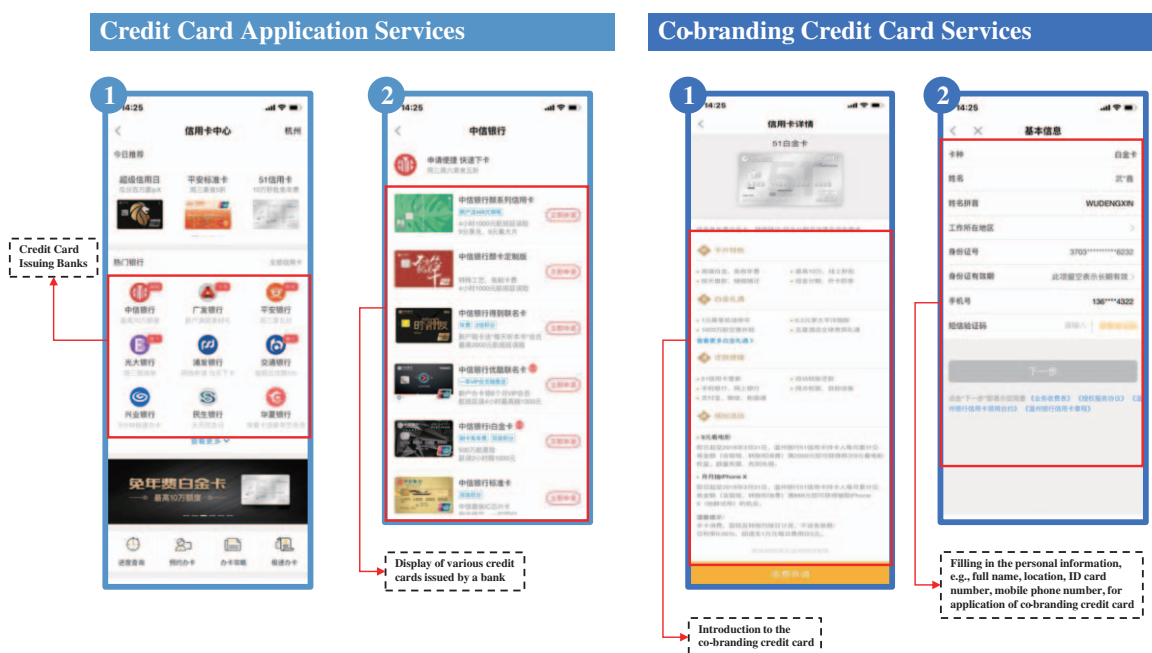


on our platform can conveniently complete the credit card application process within our App. We receive service fees from these banks for our credit card application services, which is generally determined on a cost-per-success basis, ranging from RMB50 to RMB150 for each successful application, where the success is most often defined as the issuance of a credit card. In 2015, 2016 and 2017, the number of new credit cards issued through us (excluding the number of co-branding credit cards) was 0.5 million, 1.2 million and 2.0 million, respectively. According to the Oliver Wyman Report, online channels, in particular, third party internet companies, have become increasingly important for banks to acquire new credit card customers. We are the largest independent online credit card application platform in China in terms of number of credit card issued through us in 2017, according to the Oliver Wyman Report.

### Co-branding Credit Card Services

In April 2017, we began co-branding cooperation with an urban commercial bank for credit card issuance. Our valuable user base, strong technology capabilities and massive credit-related data enable us to monetize our technology-enabled credit assessment system by providing credit card technology services to credit card issuing banks. In particular, we have developed in-depth cooperation with banks in the areas of data application, credit analytics and risk profiling to offer our co-branding credit cards. We help them strengthen and continuously refine the credit assessment model and risk management system based on insights from the high volume of transaction and credit data since our inception. Benefiting from our large user base and our brand recognition, our bank partners are able to reach an expanding client base for credit card issuance. Our collaboration with issuing banks allows us to secure long-term revenue stream by sharing the interest income generated from our co-branding credit cards making such business model mutually beneficial and thus more profitable and stable.

Below are the screenshots of credit card application interface where users can conveniently apply for credit cards, including co-branding credit cards, through our 51 Credit Card Manager App.



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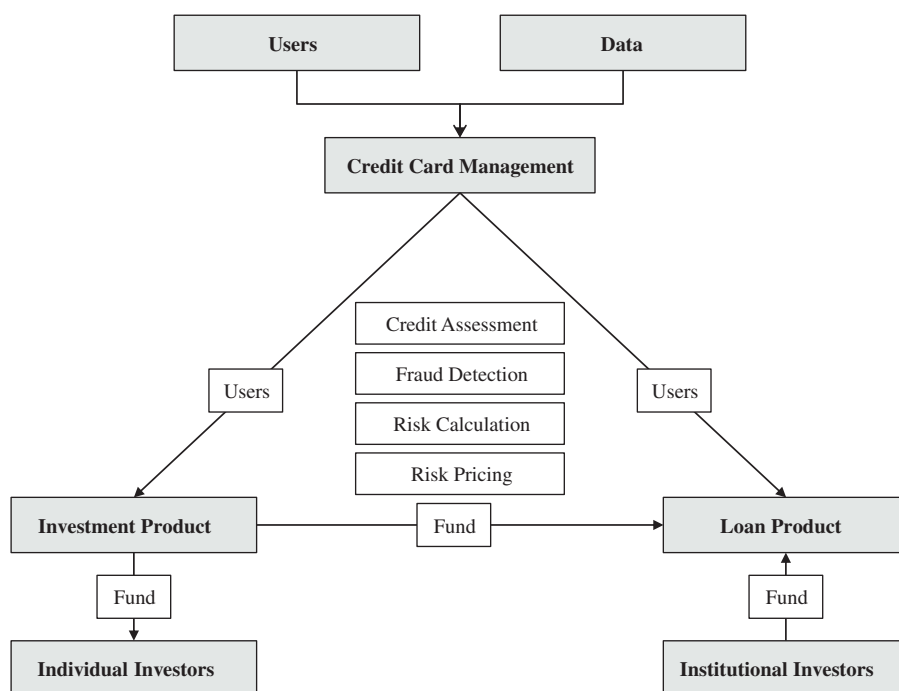
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After the initial trial period starting in March 2017, the number of co-branding credit cards issued increased rapidly. As of December 31, 2017, the cumulative number of co-branding credit cards issued was 100,905 in 2017. The holders of our co-branding credit cards have strong willingness to consume on a continuous basis. As we are committed to further exploring collaboration opportunities with banks, we expect that our co-branding credit cards business has a sustainable growth potential.

### Our Online Credit Facilitation and Investment Services

The below diagram illustrates the operation of our online credit facilitation and investment services.



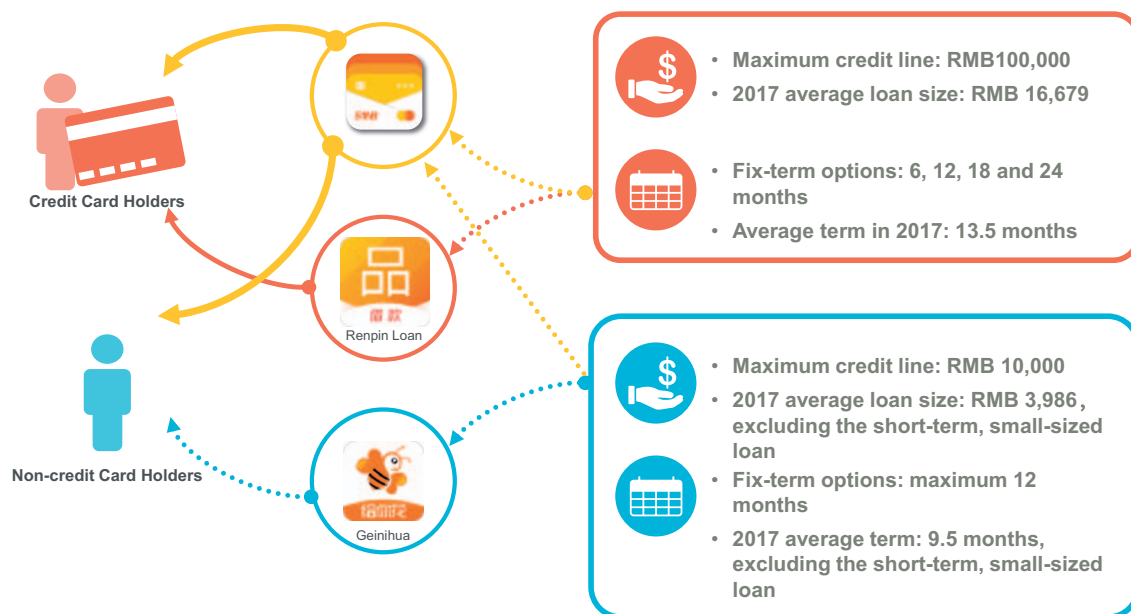
### Online Credit Facilitation Services

#### Loan Products

We facilitate loan products serving credit card holders and loan products serving non-credit-card holders through 51 Credit Card Manager App and our other Apps including 51 Renpin Loan App, Geinihua App and Xiaowu Wallet App. All of our loans are unsecured and are funded primarily by individual investors of our 51 Renpin and, to a lesser extent, licensed financial institutions such as

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banks, consumer finance companies and trust, and our own micro loan subsidiary. The following diagram illustrates the credit facilitation services and products we provide to credit card holders and non-credit card holders.



- *Product serving credit card holders.*

In June 2015, we launched 51 Renpin Loan, a loan product designed for credit card holders who have good credit quality, high consumption needs, and strong intention to borrow. 51 Renpin Loan is generally offered in a credit line up to RMB100,000 with fixed terms of 6, 12, 18 and 24 months. In addition, leveraging the data of our personal credit management services and our credit analytics capabilities, we established a white-list of credit card holders and provide them with pre-approved credit line to meet their financing needs in a more efficient way. The loan facilitation amounts of our 51 Renpin Loan increased at a CAGR of 417.7% from RMB815.3 million in 2015 to RMB9,285.6 million in 2016 and further to RMB21,854.7 million in 2017. The loan facilitation amount of our 51 Renpin Loan was RMB4,501.9 million in the three months ended March 31, 2018. The average loan size of 51 Renpin Loan was RMB22,991.3 in 2015, RMB27,872.0 in 2016 and RMB16,679.0 in 2017 with an average term in average term of 15.3 months, 15.3 months and 13.5 months during the respective period. The decrease in our average loan amount from 2016 to 2017 was primarily because we began to offer 51 Renpin Loan below RMB10,000 in February 2017. In general, borrowers of 51 Renpin Loan repay by monthly installments.

- *Products serving non-credit-card holders.*

In February 2016, we started to facilitate loan products designed to cater borrowers without credit cards, primarily through Geinihua App. Such loan product is offered in a credit line up to RMB10,000 with fixed terms up to 12 months. Borrowers repay the loan by monthly installments. From February 2017 to November 2017, we also facilitated a loan product designed

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to serve the short-term small-sized financing needs for borrowers without credit cards. Such product was offered in a credit line up to RMB3,000 with fixed-terms of less than three months. We ceased offering such product in December 2017 primarily due to a shift in strategy and regulatory requirements. Such loan product contributed to 13.3% of our total loan facilitation volume in 2017 and 2.5% of our total revenue in 2017.

The average loan amount of products serving non-credit-card holders (excluding the short-term small size loan products we offered from February 2017 to November 2017) was RMB3,234.1 in 2016 and RMB3,986 in 2017 with an average terms of 9.5 months and 9.5 months, respectively, during the period.

The total loan facilitation volume of our loan products were RMB815.3 million in 2015, RMB10,299.3 million in 2016 and RMB33,890.6 million in 2017. The total loan facilitation volume of our loan products was RMB4,746.3 million in the three months ended March 31, 2018. The following table sets forth the breakdown of loan facilitation volume by product for the periods indicated:

|                                                                   | Year Ended December 31, |               |                 |               |                 |               | Three months ended March 31, |               |
|-------------------------------------------------------------------|-------------------------|---------------|-----------------|---------------|-----------------|---------------|------------------------------|---------------|
|                                                                   | 2015                    |               | 2016            |               | 2017            |               | 2018                         |               |
|                                                                   | RMB                     | %             | RMB             | %             | RMB             | %             | RMB                          | %             |
| (in millions except for percentages)                              |                         |               |                 |               |                 |               |                              |               |
| Product serving credit card holders . . . . .                     | 815.3                   | 100.0%        | 9,285.6         | 90.2%         | 21,854.7        | 64.5%         | 4,501.9                      | 94.9%         |
| Products serving non-credit-card holders <sup>(1)</sup> . . . . . | —                       | —             | 1,013.7         | 9.8%          | 12,035.9        | 35.5%         | 244.4                        | 5.1%          |
| <b>Total . . . . .</b>                                            | <b>815.3</b>            | <b>100.0%</b> | <b>10,299.3</b> | <b>100.0%</b> | <b>33,890.6</b> | <b>100.0%</b> | <b>4,746.3</b>               | <b>100.0%</b> |

*Note:*

- (1) Including the loan facilitation volume of the short-term small-sized loan products we offered from February 2017 to November 2017 of RMB4,518.1 million. We ceased to offer this loan product thereafter. The decrease of the loan facilitation volume for our loan products serving non-credit card holders as a percentage of our total loan facilitation volume from 2017 to the first quarter of 2018 was primarily because (i) we adopted a more conservative credit assessment standard and limited the loan facilitation volume for our loan products serving non-credit card holders and (ii) the funding from our institutional funding partners was under review to comply with new regulatory requirements and (iii) the growth of the balance of loan funded by our investors at 51 Renpin was constrained due to current local regulatory requirements.

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The total outstanding balance of our loan products were RMB688.2 million in 2015, RMB6,883.6 million in 2016 and RMB15,828.9 million in 2017. The following table sets forth the breakdown of outstanding loan balance by product for the period indicated:

|                                                                   | Year Ended December 31, |               |                |               |                 |               |
|-------------------------------------------------------------------|-------------------------|---------------|----------------|---------------|-----------------|---------------|
|                                                                   | 2015                    |               | 2016           |               | 2017            |               |
|                                                                   | RMB                     | %             | RMB            | %             | RMB             | %             |
| (in millions except for percentages)                              |                         |               |                |               |                 |               |
| Product serving credit card holders . . . . .                     | 688.2                   | 100.0%        | 6,173.7        | 89.7%         | 11,983.5        | 75.7%         |
| Products serving non-credit-card holders <sup>(1)</sup> . . . . . | —                       | —             | 709.9          | 10.3%         | 3,845.3         | 24.3%         |
| <b>Total<sup>(2)</sup> . . . . .</b>                              | <b>688.2</b>            | <b>100.0%</b> | <b>6,883.6</b> | <b>100.0%</b> | <b>15,828.9</b> | <b>100.0%</b> |

*Note:*

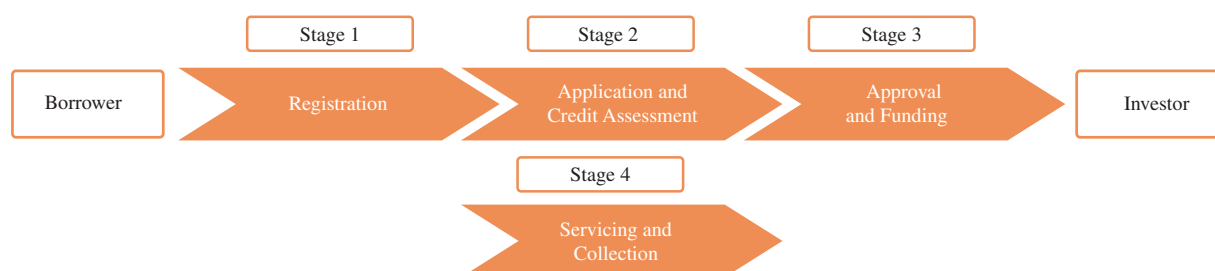
(1) Including the outstanding loan balance of the short-term, small-sized loan products we offered from February 2017 to November 2017 of RMB531.3 million. We ceased to offer this loan product thereafter.

(2) The total outstanding balance of loan products excludes the loans that have been delinquent for more than 90 days or more, because we believe it is unlikely to collect these loans.

The total borrowing cost paid by borrowers for a loan consists of a nominal interest that borrowers pay investors, the service fees that we charge for our services and fixed contribution to the investor protection mechanism, the average APR of the loans facilitated by us generally ranges from 14.9% to 30.8%. See “—Our Online Credit Facilitation and Investment Services—Online Investment Services—Investor Protection Mechanism” for details of the investor protection mechanism. See “—Risk Management” for a detailed description on how we price with our risk control system.

### *Transaction Process*

We facilitate loans through Apps which enable a simple, safe and convenient loan application process for our borrowers. The transaction process on our platform provides our borrowers with a streamlined and standardized process of loan application and funding with step-by-step instructions guiding them through the whole process. The following diagram illustrates a simplified transaction process for borrowers:



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### Stage 1: Registration

Applicants must first register a user account with us by providing basic personal information, including mobile phone number. Registered users are required to provide additional identification and personal finance related information to enhance credit profile. For example, applicants for 51 Renpin Loan shall provide credit card bills if they are not managing their credit card bills on 51 Credit Card Manager.

### Stage 2: Application and Credit Assessment

With the additional information provided by the applicant, a preliminary credit line is assigned and the applicant may submit application for a loan within such credit line. Once an applicant has submitted a loan application, the applicant's information is further processed by our risk control system, iCredit. We will make credit assessment and assign each applicant a credit grade. See “—Risk Management” for a detailed description of iCredit and other aspects of our risk management.

### Stage 3: Approval and Funding

Following the credit assessment, we may approve the loan application based on the applicant's credit grade or decline the loan application. The applicant is notified of the results of our decisions.

After the applicant's loan application is approved, our investors can subscribe for the loan using our automated investment tool or manually at their choices. Once a loan is fully subscribed through our platform, funds are then drawn from the custody accounts of the subscribing investors, and disbursed to the borrower's custody account. In 2017, a majority of the loan disbursement process was completed within one hour from application. See “—Our Online Credit Facilitation and Investment Services—Online Credit Facilitation Services—Transaction Process” for more details of loan subscription by our investors and the custodian and payment process.

### Stage 4: Servicing and Collection

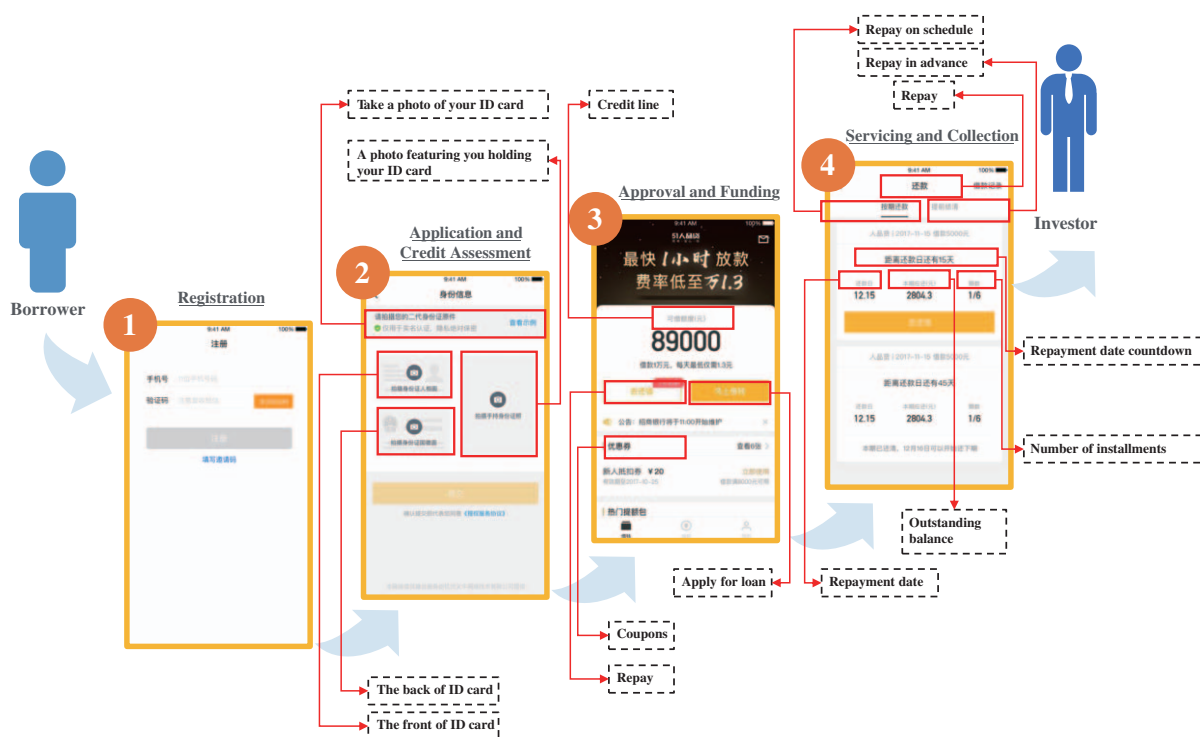
We provide repayment reminder services through both in-app notification and SMSs by our service representatives before the due date for each scheduled repayment. We charge a penalty fee on a per day basis for past due loans.

We have in-house team who will, upon a borrower's default, make phone call and send text messages to the defaulting borrower to remind them of the repayment of the delinquent loan balance and accrued penalties and default charges. We also engage third parties to assist us on collection of delinquent loans. We have a high standard for selecting our third party collection service providers, including their qualification and compliance record. We also asked third party collection service providers to complete a comprehensive training program before they can be engaged to provide services. We also require third-party collection service providers to comply with our guidelines and standards with respect to collection methods, which were formulated taking into account the applicable regulatory requirements. We continuously monitor the performance and compliance of our in-house team and the third-party collection service providers to ensure that they employ appropriate collection methods to achieve better collection performance and compliance with regulatory

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requirements through KPI tracking, phone call recording assessment, site visit, complaint call feedbacks, internal training and examination. Through these methods, we also employ a rating system for third party collection service providers to track their compliance performance, and if their rating is downgraded, they will receive a warning from us or be suspended from cooperation without further rectification. If we receive complaints from our borrowers regarding their collection activities and their behaviors are concluded to be inappropriate, they will be fined and be required to compensate our borrowers for their behaviors. We engage a number of third party collection service providers without reliance on any one of them. If any third party collection service provider is not in compliance with applicable laws during the course of loan collections, we may terminate its services and we can easily replace it with another third party collection service provider or our in house team, and there would not be any material adverse impact on us. During the Track Record Period, we have not been subject to any penalties or regulatory actions with respect to our collection activities.

The following screenshots provide a visual presentation of each stage of transaction process for online credit facilitation services through our Apps.



### *Loan Referral Services to Third Party Platforms*

We cooperate with selected external online lending platforms and introduce their loan products on our Apps which usually are different from our loan products in terms of ticket size and duration. Those selected external lending platforms and their loan products are displayed on our Apps. Borrowers who use our Apps can click to place a loan application. Through such cooperation, we offer borrowers on our platform a broader range of loan products and convenient credit facilitation services and we receive service fees from the external online lending platforms, ranging from 3% to 5% of the referral loan amount.



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### *Funding of Loan Products*

We have diversified funding sources to ensure sufficient capital to efficiently fund the loans we facilitate. The loans we facilitated to borrowers are primarily funded by individual investors of our 51 Renpin and, to a lesser extent, institutions including licensed financial institutions such as banks, consumer finance companies and trust, and our own micro loan subsidiary.

The following table sets forth a breakdown of the total volume of loans we facilitated for our own loan products by funding sources for the periods indicated:

|                                         | Year Ended December 31, |               |                 |               |                 |               | Three months ended March 31, |               |
|-----------------------------------------|-------------------------|---------------|-----------------|---------------|-----------------|---------------|------------------------------|---------------|
|                                         | 2015                    |               | 2016            |               | 2017            |               | 2018                         |               |
|                                         | RMB                     | %             | RMB             | %             | RMB             | %             | RMB                          | %             |
| (in millions except for percentages)    |                         |               |                 |               |                 |               |                              |               |
| Investors of 51 Renpin . . .            | 803.5                   | 98.5%         | 8,787.4         | 85.3%         | 26,096.5        | 77.0%         | 4,560.4                      | 96.1%         |
| Institutions <sup>(1)</sup> . . . . .   | 11.8                    | 1.5%          | 1,511.9         | 14.7%         | 6,883.4         | 20.3%         | 172.2                        | 0.3%          |
| Our own micro loan subsidiary . . . . . | —                       | —             | —               | —             | 910.7           | 2.7%          | 13.7                         | 3.6%          |
| <b>Total . . . . .</b>                  | <b>815.3</b>            | <b>100.0%</b> | <b>10,299.3</b> | <b>100.0%</b> | <b>33,890.6</b> | <b>100.0%</b> | <b>4,746.3</b>               | <b>100.0%</b> |

*Note:*

- (1) Including trust funding of RMB303.8 million in 2016 and RMB1,535.8 million in 2017, which stayed on our balance sheet as we are considered as the primary beneficiary of the trusts and have the power of directing the activities of the trust. The decrease of the loan facilitation volume funded by institutions as a percentage of our total loan facilitation volume from 2017 to the first quarter of 2018 was primarily because the funding from our institutional funding partners was under review to comply with new regulatory requirements in the first quarter of 2018. During the Track Record Period, the overall funding cost of our institutions funding was 11.0%, 10.7% and 8.9%, respectively.

Our trust funding involves three trust plans set up by an independent third party trust company that lend the money to our borrowers. According to the arrangement with the trust company, we are considered as the primary beneficiary of the trusts and has the power of directing the activities of the trusts. As a result, the loans lent by these trusts stay on our balance sheet. In 2016 and 2017, the loan facilitation volume funded by trusts was RMB303.8 million and RMB1,535.8 million.

Our funding sources can be categorized into on-balance sheet funding and off-balance sheet funding. Our on-balance sheet funding (“On-Balance Sheet Funding”) consists of (i) the trust funding and (ii) our own micro loan subsidiary funding. During the Track Record Period, the loan facilitation volume funded by our On-Balance Sheet Funding was nil, RMB303.8 million and RMB2,446.5 million, respectively, accounted for 0%, 2.9% and 7.2% of our total loan facilitation volume during

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the same period. For the three months ended March 31, 2018, the loan facilitation volume funded by our On-Balance Sheet Funding was RMB13.7 million, accounting for 0.3% of our total loan facilitation volume during the same period. Our off-balance sheet funding (“Off-Balance Sheet Funding”) consists of (i) P2P funding, which refers to the funding from investors of 51 Renpin and (ii) institutions funding (excluding trust funding). During the Track Record Period, the loan facilitation volume funded by our Off-Balance Sheet Funding was RMB815.3 million, RMB9,995.5 million and RMB31,444.1 million, respectively, accounted for 100%, 97.1% and 92.8% of our total loan facilitation volume during the same period. For the three months ended March 31, 2018, the loan facilitation volume funded by our Off-Balance Sheet Funding was RMB4,732.6 million, accounting for 99.7% of our total loan facilitation volume during the same period.

We apply identical risk management policy and internal control procedures with respect to all our loan products and borrowers credit assessment without distinction between different funding sources, such as On-Balance Sheet Funding and Off-Balance Sheet Funding because our risk management policy and internal control procedures are upfront in the transaction process when we conduct our borrower assessment, fraud detection and credit scoring and whether a particular loan product will be funded by On-Balance Sheet Funding or Off-Balance Sheet Funding generally depends on the subsequent availability of the funds at the time the product is offered and specific preference by funding sources. As a result, there is generally no difference between On-Balance Sheet Funding and Off-Balance Sheet Funding in terms of product offerings, customer base, operational process and market opportunities. For the difference on regulatory regime between On-Balance Sheet Funding and Off-Balance Sheet Funding, please refer to “Regulatory Environment.”

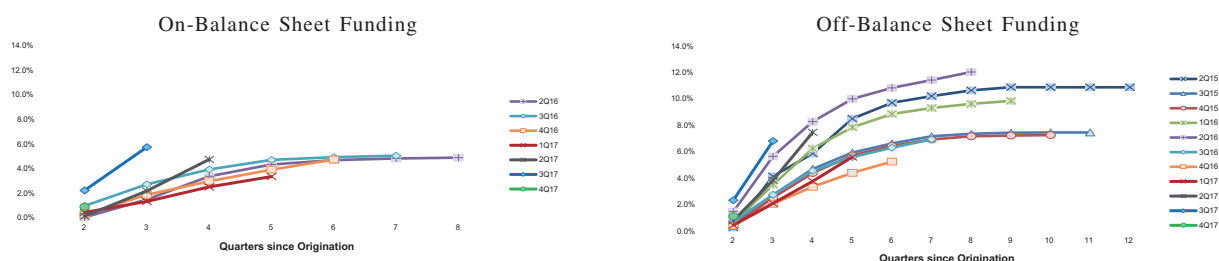
The major differences between On-Balance Sheet Funding and Off-Balance Sheet Funding are:

**Risk Exposure:** We bear the credit risk for loans funded by On-Balance Sheet Funding, and we make provisions and recognize impairment losses for default loans as in these arrangements, we originate and hold the loans. On the other hand, the credit risk for Off-Balance Sheet Funding is limited to the funds available under the investor protection program and the investors are compensated by the investor protection program managed by a third party financial guarantee company in the event of defaults.

**Accounting Treatment:** As the loans funded by On-Balance Sheet Funding are recorded as loans to customers on our balance sheet, (i) the revenue generated from these loans is recognized as interest income and (ii) the interest expense incurred is recognized as other losses. On the other hand (i) the loans funded by Off-Balance Sheet Funding are not recorded on our balance sheet, and (ii) the revenue generated from them is recognized as credit facilitation and service fee. In addition, the credit cost related to loan products funded by Off-Balance Sheet Funding are recorded as quality assurance fund payable, while the credit cost related to loan products funded by On-Balance Sheet Funding is recorded as impairment allowance.

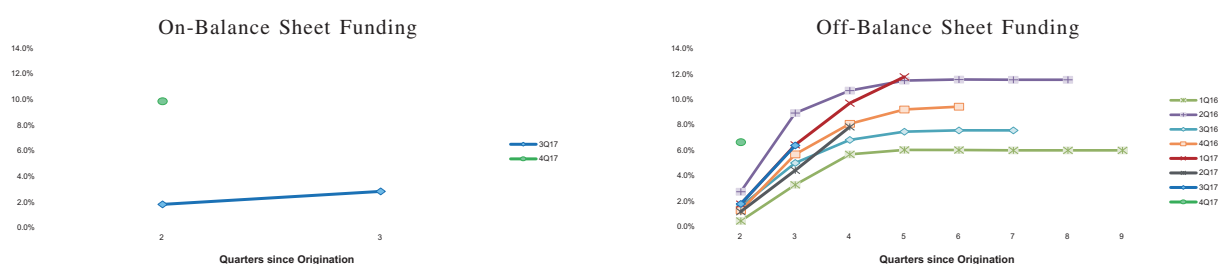
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**Delinquency Rate by Vintage:** The following charts display the historical cumulative 90-day plus past due delinquency rates by vintage for loan products serving credit card holders (i.e., 51 Renpin Loan) by different funding sources:



During the Track Record Period, the trust funding underlying the On-Balance Sheet Funding is primarily used for funding loan products serving credit card holders. Trust senior tranche holders may demand in the trust funding arrangement that such trusts only extend loans to borrowers with specific credit rating, tenure or loan size. For example, in 2017, the entire loan volume funded by trust funding for products serving credit card holders was facilitated to borrowers with AAA, AA and A credit levels, while approximately 82.8% of loan volume funded by Off-Balance Sheet Funding for products serving credit card holders was facilitated to borrowers with AAA, AA and A credit levels. As a result, during the Track Record Period, the delinquency rate by vintage for loan products serving credit card holders funded by On-Balance Sheet Funding is generally lower than that of Off-Balance Sheet Funding.

The following charts display the historical cumulative 90-day plus past due delinquency rates by vintage for loan products serving non-credit-card holders by different funding sources:



During the Track Record Period, our own micro loan subsidiary underlying the On-Balance Sheet Funding is primarily used for funding loan products serving non-credit holders. As our own micro loan subsidiary just started its business since the second quarter of 2017, during the Track Record Period, the delinquency rate by vintage for loan products serving non-credit card holders funded by On-Balance Sheet Funding is generally lower than that of Off-Balance Sheet Funding.

The 90-day plus delinquency rates for our loan products serving non-credit card holders facilitated in the fourth quarter of 2017 was primarily affected by the short-term volatility in borrower credit performance for our short-term small-sized loan products due to the new regulations adopted in late 2017. We ceased offering such short-term small-sized loan products from December 2017.

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Going forward, we expect Off-Balance Sheet Funding will continue to constitute the vast majority of our funding source.

### Xiaowu Wallet

In September 2017, we launched the loan product of Xiaowu Wallet through the operation of China Netcom Technology Holdings Limited, our subsidiary. Xiaowu Wallet is a small-sized loan product targeting users without any credit history and is distinguished from our other loans in terms of loan size and maturity. From the commencement of the operation of Xiaowu Wallet to December 31, 2017, the total loan facilitation volume amounted to RMB191.9 million.

The funding sources of Xiaowu Wallet are independent from our other loan products, such as 51 Renpin Loan. China Netcom Technology Holdings Limited conducts its own risk control and credit assessment of the applicants for Xiaowu Wallet and refers the qualified applicants to the intermediary service provider, an intermediary platform for matching the applicants with lenders and facilitating the conclusion of loan agreements between them. Through recurrent usage of Xiaowu Wallet, we believe some users of Xiaowu Wallet will become credit card holders after building up credit record and become eligible for 51 Renpin Loan, creating synergy and cross-selling opportunities between China Netcom Technology Holdings Limited and us.

### Online Investment Services

#### Investment Services

We provide investment services to investors through our 51 Credit Card Manager App and 51 Renpin App. Our investment system matches the borrowers of loans facilitated through our platform and loans referred from our online consumer finance platform partners with investors of our platform, as illustrated by the diagram below. The outstanding balance of funds invested by individual investors through our platform was RMB965.7 million as of December 31, 2015, RMB6,134.0 million as of December 31, 2016 and RMB12,078.1 million as of December 31, 2017. The average investment amount per investor was RMB15,531.7 as of December 31, 2015, RMB14,822.1 as of December 31, 2016 and RMB20,614.3 as of December 31, 2017. The average annualized return of our investors offered by our investment services was 8.0%, 7.0% and 6.9% in 2015, 2016 and 2017, respectively.



### Self-discretionary investing tool

Investors may directly invest in loans listed on 51 Renpin App based on loan characteristics and borrower profiles. We provide a set of filters to help an investor to quickly select specific loans the investor desires to invest in based on various criteria, such as investment term, expected annualized rate of return and available investment amount on our platform. Upon subscription to a specific loan, an investor agrees to commit a certain amount of fund to the subscribed loan until its maturity unless they transfer their rights in loans. Funds will be transferred from the investor's account to the borrower's account once the loan is fully subscribed.

### Automated investing tool

We also offer an automated investing tool in order to make investing easy and efficient. This tool enables automated investment according to investors' pre-set criteria, instead of screening specific loans one by one, and helps diversify investment risks by allocating funds into a portfolio of thousands of loans. Through our automated investing tool, the investors agree to commit their funds throughout the life of the loans they invest in unless they transfer their rights in loans.

As of December 31, 2017, we offered products with the committed investment term from 7 days to 720 days and the expected annualized rate of return from 6.1% to 10.8%. The minimum threshold of investment amount is RMB100. The maximum threshold of each investment is subject to the availability of the loans that can be funded on our platform.

### *Underlying Assets of Investment Services*

The underlying assets of investment services consist of loans facilitated through our platform and loans referred from our online consumer finance platform partners. In 2017, 77.8% of the total volume of loans funded by investors at our platform were our own loan products.

We carefully select our online consumer finance platform partners based on various factors including their borrower base, product offerings, risk control capabilities and collection performance. Most of our online consumer finance platform partners are our investment portfolio companies. Our online consumer finance platform partners conduct their credit analysis and approval before they refer loans from their platform to us. In addition, we conduct separate identity verification and credit assessment and disapprove those borrowers with high risks under our risk management system. We generally require the selected online consumer finance platform partners to compensate our investors and/or purchase back such loans if they are in default. We also require them to pay us a deposit, from which we are entitled to deduct if they fail to compensate the defaulted loans referred to us. In view of the recent regulatory developments in China, we have stopped such cooperation and are reviewing our cooperation with these online consumer platform finance partners. The outstanding balance of loans referred from our online consumer finance platform partners was approximately RMB38.0 million as of December 31, 2017.

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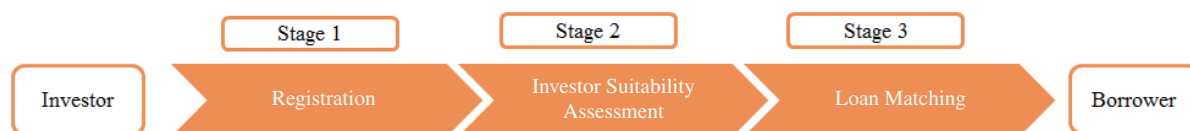
### *Investor Protection Mechanism*

Historically, we required our borrowers to contribute to a quality assurance program which was used to compensate investors on our platform for their investment losses. However, under our service agreements with investors, there was no guarantee that their investment losses will be repaid by the quality assurance program, and we were under no legal or contractual obligation to compensate the investors out of the quality assurance program.

Starting in February 2018, to ensure our compliance with new regulations, we ceased operating the quality assurance program, and we entered into a contract with an independent guarantee company to set up an investor protection program managed by this guarantee company and our borrowers are required to contribute to the investor protection program to protect our investors. The investor protection program contribution rate by borrowers varies in accordance with the credit scoring of the borrowers and the term of loans. Our risk management committee adjusts the investor protection program contribution rate based on our analysis of historical and estimated future default rates on a regular basis.

### *Transaction Process*

Similar to the simple, safe and convenient transaction process for our borrowers, we also provide a streamlined user experience for our investors. The following diagram illustrates a simplified transaction process of 51 Renpin App:



#### Stage 1: Registration

After registering a user account with their mobile phone number on the 51 Credit Card Manager App or the 51 Renpin App, our investors are required to provide their name, identity card number and associate a bank account with their user account.

#### Stage 2: Investor Suitability Assessment

Pursuant to PRC regulations, we require investors to complete an investor suitability assessment before making their first investment through us. We categorize investors into various investor types based on their professional background, investment experience and risk tolerance.

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### Stage 3: Loan Matching

After passing the investor suitability assessment, investors who are willing to make investment through our marketplace are allowed to compare and choose their desired type of investment services and transfer fund from their associated bank accounts for investment within the App. Our investment system matches borrowers of loans facilitated through our platform and loans referred from our online consumer finance platform partners with investors automatically or manually at investors' choice.

Upon successful matching, a loan agreement between the investor, borrower and us will become effective and investor's fund will be released to the borrower's custody account. In addition, investors using the automated investing tool may request to transfer their rights in the loans they invest in to other investors before the expiration of their committed investment term, although our platform does not guarantee the success of such transfer request.

We have engaged Bank of Beijing to provide fund custody services for our platform. As of the Latest Practicable Date, the Bank of Beijing has passed the relevant testing and evaluation procedures run by the National Online Lending Rectification Office to hold customer funds. The custodian bank will provide fund custody services including custody, settlement and accounting services. We also cooperate with third-party payment network processors for payment. In choosing the third-party payment agent, we take into consideration many criteria, including network infrastructure, security measures, reliability, information technology capabilities and experience.

### Other Businesses

#### *Technology Consulting Business*

To take advantage of our technology capabilities accumulated through our credit facilitation business, we established Beijing Jianguo Credit Management Company Limited (北京堅果信用管理有限公司) ("Jianguo Credit") in October 2015. Through the internet, Jianguo Credit provides third party clients with technology consulting services in data acquisition and analytics. In 2017, Jianguo Credit provided technology consulting services to 38 companies.

#### *Insurance Broker Business*

We acquired a 95% equity interest of Shenzhen Zhongrong Insurance Broker Co., Ltd. (深圳中融保險經紀有限公司) ("Zhongrong Insurance") in November 2017. Zhongrong Insurance holds an insurance brokerage business license.

#### *Industry Investment*

We continuously evaluate business opportunities across the industry value chain to supplement our ecosystem. We selectively make strategic acquisition and investment and form alliances to create synergies, enrich our existing products and services offerings and expand our ecosystem. We also established 51 Industry Fund, a private equity platform with a series of investment funds. As of December 31, 2017, 51 Industry Fund had invested in 9 companies and we joined 51 Industry Fund in some of these investments as a co-investor. As of December 31, 2017, we had invested in over 20



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companies. For example, we invested RMB4.5 million in Hangzhou Zaodao Technology Co., Ltd., a fast growing start-up company in China, at a valuation of RMB25 million in September 2016. Hangzhou Zaodao Technology Co., Ltd. was recently valued at RMB390 million based on its latest financing.

### **Risk Management**

#### ***Big-data Driven Risk Management System***

We strongly believe in the power in deploying data to transform the traditional financial industry. As the largest online credit card bill management platform in China, we have enjoyed the distinctive advantage of accumulating significant volume of the most relevant and reliable information including, among others, applicants' credit history, personal credit lines by banks, consumption pattern, past repayment behavior, in assessing our users' credit risk against future borrowing. Leveraging these data, we have independently developed a comprehensive system, iCredit, to enhance our risk management capabilities. At the core of iCredit is big data analytics, which penetrates into the entire process of risk control including fraud detection, credit assessment, risk calculation and risk pricing. Our iCredit system utilizes a massive database comprised of up to approximately 10,000 potential data variables related to our borrowers and the loan applications that we have processed. We consistently upgrade our risk management model with new credit data and technologies.

#### ***Data Collection, Reprocessing and Aggregation***

While many consumer finance platforms in China build up their credit assessment database by cooperating with external data suppliers, we believe our credit management scenario based business model offers us a more precise, transparent and comprehensive picture of a potential borrower's financial status and delinquency risk with our first-hand and proprietary data.

In addition, with users' authorization we supplement our proprietary data with extensive external data to build a comprehensive credit profile for each of our borrowers. The external data includes but not limited to borrowers' personal credit information provided by third-party institutions we cooperate with, as well as borrowers' social and consumption behavioral data gathered from popular Chinese social media and e-commerce websites. Every day our platform collects, aggregates, processes and analyzes massive amounts of unstructured data from various sources and transforms them into structured predictors associating with risk level of loan applications. These massive data processing and multi-dimensional real time analytics capabilities enable us to provide an array of automated quantitative analysis, strengthen our credit system through data mining and make fast and accurate credit decisions without incurring high cost of artificial auditing.

To better realize the potential of non-financial data, such as behavioral, social and transactional data, in predicting applicants' default probabilities, we have applied machine learning technology including random forest, gradient boosting decision tree (GBDT), and deep learning algorithm to deepen the utilization of these data. With over 10,000 variables distilled, we have established a spectrum of risk assessment models tailoring to different categories of borrowers.

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In addition, the PRC regulations require that the balance of loans borrowed by the same individual must not exceed RMB200,000 through a single online lending information intermediary and must not exceed RMB1 million in the aggregate through all online lending information intermediaries in the PRC. We currently do not offer loans to the same individual in an aggregate amount exceeding RMB200,000. We obtain information regarding applicants using internal and external databases at the time they apply for a loan to determinate whether the aggregated amount exceeds RMB1 million and require them to make a representation to us that they are in compliance with the current regulation before we render credit facilitation services.

### ***Fraud Detection***

Our iCredit system contains a multifaceted and effective fraud management system that automatically aggregates data from both internal and external sources. As a result, we have accumulated massive data relating to fraud in our Anti-fraud Data Market. Built upon the large database collected via our own platform, the internal and industry blacklist provided by third-party database, facial recognition verification setting and sophisticated machine learning technology, iCredit is able to assess the probability of suspicious activities by each applicant. At the same time, we recognize the added complexities in detecting and preventing organized frauds. To uncover these collusive behaviors among multiple individuals, we employ knowledge mapping algorithm to conduct relationship analysis among potential borrowers, and reveal the larger criminal network.

We have established a dedicated fraud detection team. Our team periodically tests and refines anti-fraud rules to tackle new development and trend, which allows us to quickly respond to emerging fraudulent threats and catch unknown fraud patterns.

### ***Credit Scoring and Pricing System***

Empowered by our massive credit database built upon data from our personal credit management, online credit facilitation and investment services, we have developed our proprietary credit scoring model to assess the creditworthiness of potential borrowers. The reliability and the vast volume of the data lay a strong foundation for our use of machine learning to optimize the credit assessment model. The system is continuously tested and updated by our team.

To efficiently screen applicants, we have designed an initial phase to collect basic information regarding a prospective borrower and direct him to one of the loan products we facilitate. We employ different algorithms and metrics in assessing borrowers' probability of delinquency in each group. Generally, each applicant will receive a credit score within minutes, which is the basis of our approval for loan product applications. In addition, through our cooperation with institutional funding partners, we can also check our credit assessment results for borrowers who were funded by licensed financial institutions with reference to our institutional funding partners' decision whether to extend such funding based on their review of relevant reports of the Credit Reference Center of the People's Bank of China.

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### *Products Serving Credit Card Holders*

Applicants eligible for our loan products serving credit card holders have already accumulated proven credit record and have often established credit history with us. We can gain insight of their holistic financial status and risks associated with borrowing by managing their credit card bills and other debts through our personal credit management services. In addition, through our personal credit management services, we evaluate data related to our users' credit lines, credit card repayment record and personal consumption history to determine their credit score. These comprehensive credit data across banks forms the core metric in assessing the applicants. Besides relying on this internal credit data, we also incorporate external data in assessing applicants' creditworthiness with the applicant's authorization, including but not limited to applicants' personal credit information provided by third party institutions we cooperate with, as well as borrowers' social and consumption behavioral data gathered from popular Chinese social media and e-commerce websites.

With a vast number of variables taken into account, we determine credit line for each applicant. Each applicant applying for our loan products serving credit card holders, if not rejected by us due to high risk, will be assigned into one of the five credit score segments based on our credit assessment results, AAA, AA, A, B or B-. Our categorization primarily focuses on the estimated delinquency rates, borrowers with the lowest estimated delinquency rates will be categorized into AAA rating, and borrowers with the higher but acceptable estimated delinquency rates will be categorized into B-rating, and any one rated below B- will be rejected for their loan applications.

The following table presents our estimated delinquency rates for our borrowers with different credit levels:

| <u>Credit Level of Borrowers for Products Serving Credit Card Holders</u> | <u>Estimated<br/>Delinquency Rates</u> |
|---------------------------------------------------------------------------|----------------------------------------|
| AAA . . . . .                                                             | ≤6%                                    |
| AA . . . . .                                                              | 4% - 10%                               |
| A . . . . .                                                               | 8% - 14%                               |
| B . . . . .                                                               | 12% - 20%                              |
| B- . . . . .                                                              | 18% - 22%                              |

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Starting from 2016, we adopt risk-pricing for loan products serving credit card holders based on their credit scores. We utilize risk-based pricing across the portfolio and we periodically review and adjust the pricing. The following table presents the APR for each of the different segments in our credit grid for the periods indicated for our loan products serving credit card holders:

| Credit Level of Borrowers for Products Serving Credit Card Holders <sup>(1)</sup> | Year Ended December 31, |       |
|-----------------------------------------------------------------------------------|-------------------------|-------|
|                                                                                   | 2016                    | 2017  |
|                                                                                   | APR                     | APR   |
| AAA .....                                                                         | 12.6%                   | 14.9% |
| AA. ....                                                                          | 14.7%                   | 17.3% |
| A .....                                                                           | 18.4%                   | 21.3% |
| B .....                                                                           | 24.3%                   | 26.2% |
| B- .....                                                                          | N/A                     | 27.6% |

*Note:*

(1) We did not adopt risk-pricing for our loan products in 2015. The overall APR of our loan products servicing credit card holders was 13.7% in 2015.

In the three months ended March 31, 2018, the average APR for our loan products serving credit card holders was 18.2%.

The following table presents the facilitation volume of loans taken out by borrowers at each credit level in 2015, 2016 and 2017.

| Loan Facilitation Volume at Each Credit Level: | Year ended December 31, |                |                 | Three months ended March 31, |
|------------------------------------------------|-------------------------|----------------|-----------------|------------------------------|
|                                                | 2015                    | 2016           | 2017            | 2018                         |
|                                                | (in millions of RMB)    |                |                 |                              |
| AAA .....                                      | 325.1                   | 3,808.1        | 8,185.4         | 1,479.1                      |
| AA. ....                                       | 101.5                   | 2,276.1        | 5,993.8         | 1,189.1                      |
| A .....                                        | 196.3                   | 1,926.3        | 4,185.2         | 1,028.5                      |
| B .....                                        | 189.4                   | 1,258.2        | 2,500.8         | 510.9                        |
| B- .....                                       | 3.0                     | 17.0           | 989.5           | 294.4                        |
| <b>Total</b> .....                             | <u>815.3</u>            | <u>9,285.6</u> | <u>21,854.7</u> | <u>4,501.9</u>               |

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### *Products Serving Non-Credit-Card Holders*

For applicants with limited or no credit history applying for our loan products serving non-credit-card holders, we partner with a number of third party data providers to supplement our internal record such as personal information, facial recognition data and contact information, with external data in assessing their risks. With prospective borrowers' consent, the external data we collected from third parties may includes user's repayment history and online consumption behavior. These behavioral data collected from external parties correlates to the credit quality of prospective borrowers and we use these data to determine whether to approve their loan applications.

We started facilitating loan products serving non-credit-card holders from 2016. In 2016 and 2017, the APR for our major loan products serving non-credit-card holders was 31.5% and 30.8%, respectively. In addition, from February 2017 to November 2017, we also facilitated certain small-sized short-term loans whose APR exceeded 36%. As a result of shift in our strategy and to comply with the applicable requirements under new regulations, we ceased to offer such small-sized short-term loans and further adjusted and ensured that the APR of all new loans that we facilitated since December 2017 do not exceed 36%.

### *APR Calculation*

We have consulted with competent regulatory authority on regulatory view of the method of calculating APR and our APR calculation method is in compliance with relevant regulations. For details of the APR calculation method, please see "Glossary of Technical Terms — APR." Nevertheless, in the event that there are future adjustments in relevant regulations which require a different APR calculation, it might result in material non-compliance and we may need to adjust our product offerings to ensure compliance with the relevant regulations. For example, in the event the regulatory authority requires market participants to use internal rate of return method to calculate APR, then the average APR for our major products would be 25.6% in 2015, 30.2% in 2016 and 34.6% in 2017.

### *Risk Management Team*

We have an independent Risk Management Committee comprising of seven members and chaired by our CRO. Members of the Risk Management Committee have extensive experiences and in-depth insights in risk management from their working experiences with reputed consulting firms and financial institutions. The committee meets from time to time to examine the credit, liquidity and operational risks on our platform.

Led by our Risk Management Committee, our risk management and internal control team is responsible for, among others, loan performance analysis, credit model validation and credit decisioning performance. They engage in various risk management activities, including reporting on performance trends, monitoring of loan concentrations and stability, conducting peer benchmarking and risk assessments and involving in credit model development, validation and optimization.

### **Our Technology and IT Infrastructure**

Underlying our differentiated business model, innovative products and scalable loan processing service is our advanced technological infrastructure. Our strong capabilities enable us to deliver smooth user experience, protect information confidentiality, run big data analysis, and increase operational efficiency.

#### ***Big Data Analytics and Artificial Intelligence***

Our iCredit system was developed with a view to create dynamic, intelligent and multi-dimensional credit analysis. Because we have ready access to a significant volume of data available on our personal credit management platform, we have invested significantly to ensure the system can process data in a most efficient way.

Our iCredit system utilizes an array of analytical techniques and model outputs from traditional multivariate regression to machine learning. Big data analytics, together with artificial intelligence, allow us to comprehensively integrate and analyze applicants' information ranging from our powerful credit database to online behavioral, social, and transactional data supplied by third-party sources. In 2017, 93.0% of the loan applications for 51 Renpin Loan were automatically decided by our system.

While we are also able to adjust the level of human involvement in the decision process based on our anti-fraud analytics, we believe this big data and artificial intelligence approach is fundamental to our ongoing initiatives to enhance our risk management capability and improve operational efficiency.

#### ***Data Security, Cybersecurity and Confidentiality Protection***

Headed by our chief technology officer (CTO), our information security team are devoted to maintaining a secure infrastructure for our platform and protecting the private data accumulated. Our team members have actively participated in periodic data security trainings and conduct weekly cybersecurity test. Our management team will be directly notified upon any discovery of security bugs, or threats that require urgent attention.

Leveraging our in-house technology capabilities, we have built up integrated operation and maintenance system as well as a “two locations, three centers” disaster recovery structure to host our principal IT infrastructure at separate locations in China. Our platform adopts modular architecture that consists of multiple connected components, each of which can be separately upgraded and replaced without compromising the functioning of other components. In addition, we have installed a firewall that monitors and controls incoming and outgoing traffic and will automatically take reactive measures against any information security threats.

We take the privacy of our users and security of their information seriously and have implemented stringent internal control procedures to protect the integrity of the data. Before we collect any information from our users, we obtain their express authorization through the user service agreement and we only collect such information to the extent as necessary for the provision of our services. The types of the data we collect and in possession include personal data (including name,

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personal ID, bank account information, mobile number), data of bills (including credit card data, e-commerce bill, balance of housing provident fund) and transactional data (including top-up and cash out record). The data is stored in the private cloud and encrypted database of Internet Data Center (IDC) operated by us. All data is kept for at least five years according to our internal policy and the data is owned by the user and we are entitled to use such data pursuant to the authorization of the user. We have put in place and maintained security measures to limit and monitor the access to user data. Currently, the database administrator (DBA) and computer science engineers (in case of coding modification) have access to the data via the jump server and application systems have access to data through applications. The whole process of the access is fully recorded by our security system, which is able to show us in real-time all users who access our system, whether authorized or not, and how each user is accessing the system. In addition, we have implemented a series of internal regulations such as Users' Data Security Manual and General Strategy on Information Security and have held periodic trainings for employees to prevent any improper or unauthorized use and disclosure of data from within our Company. When partnering with third parties (for example in certain loan referral businesses), we grant third parties' right to access to user's data only when and to the extent that users give their express authorization.

It is our internal policy to use data encryption to ensure confidentiality for storage and transmission of user data. Our network is configured with multiple layers of security modules to isolate our databases from unauthorized access and to ensure the reliability of our systems and services. We utilize software systems to automatically detect and protect against attacks from external sources. Within our internal operation, we limit and minimize access to protected information provided by users through a variety of techniques, including network access authentication and division of network security domains. Furthermore, we have maintained commercial insurance to cover personal data and bank account data leakage risks.

To protect against data loss from unforeseen circumstances, we maintain redundancy through a real-time multi-layer data backup system. We also employ data slicing and distribute the storage of a user's data points across several servers.

According to our PRC Legal Advisor, our operation complies with applicable laws and regulations pertaining users information collection, data usage, data disclosure and security.

### **Research and Development**

We had a dedicated research and development team, consisting of over 693 full-time employees as of December 31, 2017, who have extensive experiences in China's leading Internet companies and financial institutions. Our research and development team focuses on the following that support our long-term business growth:

- Maintaining and upgrading all of our platform and application system, including but not limited to: mobile applications, back-stage system, proprietary data and credit analysis systems, payment system and big data system;



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- Ensuring our technology system are well established, reviewed, tested and continuously strengthened;
- Researching and developing in data mining algorithm; and
- Exploring the technology consulting business of big data capability and the establishment of open platform, in particular, in the areas of data acquisition and anti-fraud.

During the Track Record Period, our research and development expenses were RMB42.4 million, RMB112.4 million and RMB261.4 million, respectively.

### Customer Service

We value our customers deeply and are committed to providing first-rate customer services. We designed an interactive Help Center which serves a starting point for any question our customers may have. Collecting and compiling the most frequently asked questions from our large user base, we have established and constantly update a powerful knowledge database. Leveraging artificial intelligence and machine learning technology, we also operate an intelligent customer service system, which is able to automatically generate most relevant answers by processing the information the users type in. Customers are also able to contact us through more conventional channels. They may call our service hotline and speak with a dedicated representative during weekday and weekend.

### Brand and Marketing

We have acquired significant brand recognition and reputation in our industry. We believe that the most effective form of marketing is to continually deliver superior user experience and to offer attractive products and services serving the unmet needs in the market. Our marketing efforts are designed to enhance brand awareness and reputation.

### Customers and Suppliers

Our customers primarily consist of (i) individual credit card holders for our personal credit management services, (ii) credit card issuing banks and individual credit card holders for our credit card technology services and (iii) individual borrowers and investors and external online lending platforms for our online credit facilitation and investment services. Our top five customer accounted for 51.0%, 11.4% and 5.9% of our total income for the years ended December 31, 2015, 2016, and 2017, respectively. Our largest customer for the years ended December 31, 2015, 2016, and 2017 accounted for approximately 16.2%, 3.6% and 1.6% of our total income during those periods, respectively.

Our suppliers primarily comprise providers for traffic acquisition services, custody service, collection service, IT services and payment services. Purchases from our five largest suppliers for the years ended December 31, 2015, 2016, and 2017 accounted for approximately 38.3%, 25.8% and 22.9% of our total purchases during those periods, respectively. Our largest supplier for the years ended December 31, 2015, 2016, and 2017 accounted for approximately 17.1%, 7.6% and 9.3% of our

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total expenses during those periods, respectively. None of our Directors, their respective associates, or any shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

### Competition

The financial technology industry in China is highly competitive and we compete with other sizable online personal credit management platforms and online consumer finance marketplaces.

With respect to online personal credit management services, we primarily compete with those independent third party online personal credit management platforms offering dedicated services and other internet players also having personal credit management as part of their services offerings.

With respect to online credit facilitation and investment services, we primarily compete with online P2P platforms with a focus on credit card holders. We also compete with traditional financial institutions, including credit card issuers, consumer finance business units in commercial banks and other consumer finance companies.

As evidenced by our market leadership, we believe that we are able to compete effectively by leveraging our competitive advantages including our first-mover advantage in offering personal credit management services with differentiated user acquisition model and high quality user base, dynamic and self-reinforcing ecosystem addressing a spectrum of financial needs of our users, comprehensive and diversified product offerings, diversified funding sources, access to high quality data and advanced technology capabilities, and the strength and reputation of our brand.

### Employees

As of December 31, 2017, we had a total of 1,443 employees. The following table sets forth the breakdown of our employees as of December 31, 2017 by function:

| Functions                                        | As of December 31, 2017 |                      |
|--------------------------------------------------|-------------------------|----------------------|
|                                                  | Number of Employee      | % of Total Employees |
| Risk Management . . . . .                        | 325                     | 23%                  |
| Research & Development . . . . .                 | 693                     | 48%                  |
| Product and Business Development . . . . .       | 159                     | 11%                  |
| Sales, Marketing and Customer Services . . . . . | 107                     | 7%                   |
| General administration and others . . . . .      | 159                     | 11%                  |
| <b>Total</b> . . . . .                           | <b>1,443</b>            | <b>100.0%</b>        |

As of December 31, 2017, approximately 81.7% of our employees holds a bachelor's degree or above, and approximately 19% of our employee holds a master degree or above.

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We enter into individual employment contracts with our employees to cover matters such as salaries, benefits, and grounds for termination. Each employee's employment contract also covers non-competition and confidentiality arrangements during such employee's employment with us.

As required by regulations in China, we participate in various government statutory social security plans, including a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan, a maternity insurance plan and a housing provident fund. We are required under PRC law to contribute to social security plans at specified percentages of the salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local government from time to time.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any labor strikes or other material labor disputes that affected our operations. We have retained a good relationship with our employees.

### **Intellectual Property**

We regard our patents, trademarks, service marks, domain names, trade secrets, proprietary technologies and similar intellectual property as critical to our success, and we rely on patents, trademark, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as confidentiality procedures and contractual provisions with our employees, partners, service providers, suppliers and others to protect our proprietary rights. As of the Latest Practicable Date, we had 17 registered trademarks, 50 copyrights for software products, and 13 registered domain names that are material to our business, including our primary website, [www.u51.com](http://www.u51.com). As of the Latest Practicable Date, we also had 2 pending trademark applications in Hong Kong. For a list of our major intellectual property rights, see "Appendix IV—Statutory and General Information—B. Further Information About Our Business—2. Intellectual Property Rights."

### **Properties**

Our headquarters are located at 12th-15th Floors, Tower G, Xixigu International Business Center, No. 80 Zixia Road, Xihu District, Hangzhou, Zhejiang, PRC. As of the Latest Practicable Date, we owned 4 properties in the PRC with a total GFA of approximately 3,153.14 square meters. As of the Latest Practicable Date, we leased 18 properties in the PRC with a total GFA of approximately 26,930.7 square meters.

As of the Latest Practicable Date, no single property accounted for 15% or above of our consolidated total assets by book value. Therefore, this prospectus is exempt from the requirements under Chapter 5 of Hong Kong Listing Rules and Paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance that the interests in the lands and buildings shall be included in the valuation report according to section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

### ***Self-owned Properties***

As of the Latest Practicable Date, we have obtained the building ownership certificates or the land use right certificates for 4 properties with a GFA of approximately 3,153.14 square meters, accounting for 100% of our owned properties.

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### *Leased Properties*

As of the Latest Practicable Date we actually leased 18 properties in the PRC with a total GFA of approximately 26,930.7 square meters. Among such leased properties:

- the lessors of 15 leased properties (representing approximately 85.12% of the total GFA of our leased properties) have provided us with the building ownership certificates or the consent letter from the owners to authorize the lessors to lease or sublease the specific properties. Our PRC Legal Advisor, Dacheng, has confirmed that these leases are valid and we have the lawful right to occupy and use such leased properties;
- the lessors of 13 leased properties (representing approximately 14.88% of the total GFA of our leased properties) failed to provide the building ownership certificates or the consent letter from the owners to authorize the lessors to lease or sublease the specific properties.

Among the above leased properties, we have registered the lease agreements with the relevant PRC authorities for 6 properties with an aggregate GFA of approximately 19,241.4 square meters. We have not registered the lease agreements for the remaining properties.

Our PRC Legal Advisor, Dacheng, is of the view that, (1) based on the relevant PRC Law, regulations and judicial interpretations, the lessor will not have the right to lease the properties if it does not have the ownership of the properties and/or the authorization or consent from the owner. In this case, if any third party raises objection toward the validity of the lease, it may affect our ability to continue leasing such properties, but we may still raise claims against the lessor based on the specific leasing agreements or the written confirmation provided by the lessor. In addition, we can be deemed as the legitimate tenant based on relevant judicial interpretations when the lessor enters into two or more lease agreements on a same leasehold; (2) according to the relevant judicial interpretations, the non-registration of the lease agreements will not affect the validity of such lease agreements but we may be exposed to penalties by the relevant PRC authorities.

According to the Administration Rules on Tenancy of Commodity Housing, we may be ordered by the competent authority to make corrections for any non-registration of lease agreements, and we may be subject to fine of more than RMB1,000 and less than RMB10,000 for delay in making such corrections. In the past three years, we have not been subject to penalties by the relevant housing administrative authorities for non-registration of lease agreements. We believe that if the defective legal titles to such properties or the non-registration of the lease agreements prevents us from continuing the lease of any properties so the relevant branches need to move, the branches can relocate to other comparable and duly leased alternative premises in the relevant regions without any material adverse effect on our business and financial condition.

### **Insurance**

We provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees. In addition, we entered into an agreement with PICC, a reputable third-party insurance provider, to provide insurance covering the risk of personal information leakage, effective from February 1, 2017. In line with general market

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practice, we do not maintain business interruption insurance or key-man insurance. We consider our insurance coverage to be sufficient for our business operations in China. For a discussion of risks relating to our insurance coverage, see “Risk Factors—We do not have any business insurance coverage.”

### **Regulatory Matters**

We have detailed compliance procedures to identify and control the legal risks in our business operations. Our Directors, as advised by our PRC Legal Advisor, confirm that, during the Track Record Period and up to the Latest Practicable Date, we had complied in all material aspects with all relevant PRC laws, rules and regulations that are applicable to our business operations.

Pursuant to the Interim Measures promulgated on August 17, 2016, online lending information intermediaries shall register with local financial regulatory authorities, update the business scope in their business license to include online lending information intermediary services and obtain telecommunication business license from the relevant telecommunication regulatory authority after the completion of their registration with local financial regulatory authorities. Furthermore, according to the Interim Measures, local financial regulatory authorities may conduct on-site inspections or inquiries from time to time and instruct online lending information intermediaries to rectify their business operations that are deemed non-compliant with the Guidelines or the Interim Measures. However, as of the Latest Practicable Date, specific requirements and detailed implementation rules of such registration and licensing regime were still pending further clarification in many provinces in China, including Zhejiang Province. As of May 30, 2018, at provincial level, only Shanghai and Xinjiang have published implementation rules and Beijing, Zhejiang, Guangdong, Fujian, Jiangsu, Jiangxi, Tianjin, Guangxi, Hainan and Inner Mongolia have published draft implementation rules. We have taken various steps to ensure that we will be able to comply with the registration requirements when it is formulated, including (i) taking various actions to rectify the issues identified by regulatory authority during their on-site inspections, (ii) ensuring the APR of all new loans facilitated by us below 36%, (iii) ceasing deducting any loan interest or service fees from a loan principal in advance, (iv) setting up a custody account with Bank of Beijing to hold our investors’ fund and (v) engaging an independent guarantee company to set up an investor protection program. In addition, we also voluntarily checked the draft implementation rules for registration proposed by Zhejiang Province, against our business operation to ensure that should detailed implementation rules be promulgated in Zhejiang Province, we would be in full compliance. For further details, see “Summary — Recent Development”, “— Key Issues Identified from On-site Inspection” and “— Rectification Measures.” As advised by our PRC Legal Advisor and based on our consultations with competent authorities, we are able to fulfil the prerequisite requirements for P2P filing and registration and there is no material legal impediment for us to complete the P2P filing and registration pursuant to current laws and regulations.

### ***Key Issues Identified from On-site Inspection***

In July 2017, the Financial Affairs Office of the People’s Government of Hangzhou Xihu District (the “**District Finance Office**”) conducted an on-site inspection of the Group and issued the Notice of Rectification Actions under Rectification Activity Addressing Internet Finance-related Risks (《互聯網金融風險專項整治整改通知書》). The key findings of such inspection and our corresponding

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rectification measures are summarized in the following table. The occurrence of these non-compliance issues were mainly attributable to the fact that we are a relatively young company operating in an industry where the laws and regulations and their interpretation are constantly evolving. Although we previously lacked the experience in promptly adapting to newly established regulations at all times, we have made significant efforts to educate ourselves and address this insufficiency. As of the Latest Practicable Date, PRC regulatory authorities did not have further comments on our rectification measures set forth in our rectification reports and our implementation of such measures, nor did they require us to take any further rectification actions.

| Key Issues and Recommendation                                                                                                                                                                                             | Our Major Rectification Measures                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Include online lending information intermediary in the business scope of the our business licenses.</li> </ul>                                                                   | <ul style="list-style-type: none"> <li>• We have updated our business licenses and successfully included online lending information intermediary in our business scope.</li> </ul>                                                                                                                                                                                                                 |
| <ul style="list-style-type: none"> <li>• Engage independent third-party intermediaries to appraise the status of fund custody, information disclosure and operation compliance.</li> </ul>                                | <ul style="list-style-type: none"> <li>• We have hired an accounting firm and a law firm to assess the status of fund custody, information disclosure and operation compliance. We are paying close attention to compliance requirement in our daily operation.</li> </ul>                                                                                                                         |
| <ul style="list-style-type: none"> <li>• Assess investors' risk appetite and risk tolerance and recommend them with different categories of loan products.</li> </ul>                                                     | <ul style="list-style-type: none"> <li>• We have set up the risk appetite evaluation model for our investors, who will be assigned into one of the following three categories: "conservative", "stable" and "aggressive". We recommend different loan products to investors based on their level of risk appetite and tolerance.</li> </ul>                                                        |
| <ul style="list-style-type: none"> <li>• Alert investors on investment risks in a distinct manner and specifically disclose applicable laws and regulations on online lending business on our Apps and website</li> </ul> | <ul style="list-style-type: none"> <li>• We have set up "Investor Education Column" in "Help Center" of our Apps to educate our users on risks in connection with online investment and regulatory policies regarding online loan and investment. In addition, we also require our users to acknowledge the risk disclosure document before they can complete the registration process.</li> </ul> |
| <ul style="list-style-type: none"> <li>• Set up a custody account with a qualified financial institution to deposit, manage and segregate users' funds from our own funds.</li> </ul>                                     | <ul style="list-style-type: none"> <li>• We have set up a custody account with Bank of Beijing to hold our users' fund in December 2017. Bank of Beijing provides us with fund custody services including custody, settlement and accounting services.</li> </ul>                                                                                                                                  |

### *Rectification Measures*

In December 2017, the PRC government authorities promulgated a number of regulations to regulate the online consumer finance industry, including Circular 141 and Circular 57. See “Regulatory Environment — Regulations Relating to Online Consumer Finance Services.” In response to the recent regulations, we took the following actions:

- Prior to the promulgation of the new regulations, although most of the loan products we facilitated had a APR below 36%, the APR for a small amount of loan products that we facilitated exceeded 36%. To comply with the applicable requirements under the new regulations, we ceased to offer such loan products, primarily small-sized, short-term loan products, and ensured that the APR of all new loan products that we facilitated since December 2017 did not exceed 36%. During the Track Record Period, the volume of loan products with APR exceeding 36% was nil, RMB109.0 million and RMB5,371.1 million, respectively. During the Track Record Period, our revenue contributed by the APR of the loans which is nil excess of 36% was nil, RMB2.3 million and RMB84.4 million, respectively, accounting for nil, 0.4% and 3.7% of our total revenue during the same period.
- The new regulations also prohibit online lending information intermediary from deducting any loan interest or service fees from a loan principal in advance. In response, we have ceased deducting any such interest or fees from a loan principal in advance since December 2017 to comply with the new regulations, which will extend our fee collection schedule. In addition, we have also set up a custody account with Bank of Beijing to hold our users’ fund since December 2017.
- Historically, we cooperated with institutions, including banks, consumer finance companies and trust, as a supplemental funding source for our loan products. In light of the recent regulatory development, we reviewed and adjusted our cooperation with institutional funding partners to comply with the new regulatory requirements. We believe that we have strong funding capabilities to serve our borrowers. In 2017, the total loan facilitation volume that were funded by institutions and trust lending arrangements was RMB6,883.4 million, accounting for only 20.3% of the total amount of our funding. In addition, we successfully obtained a financing guarantee license in April 2018. Institutional funding partners usually require credit enhancement in credit facilitation arrangements, and Circular 141 only allows licensed financial guarantee companies to provide such credit enhancement. Therefore, we believe obtaining a financial guarantee license will enable us to legally utilize institutional funding sources to fund the loans facilitated to our borrowers. Since the grant of the financing guarantee license in April 2018, we have resumed our cooperation with institutional funding partners.
- In addition, historically we required our borrowers to contribute to a quality assurance program which was used to compensate investors on our platform for their investment losses. In February 2018, to ensure our compliance with the new regulations, we ceased



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offering the quality assurance program, and we entered into a contract with an independent guarantee company to set up an investor protection program managed by the guarantee company and our borrowers are required to contribute to the investor protection program to protect our investors.

### *Licenses and Permits*

Our Directors and PRC Legal Advisor confirms that, during the Track Record Period and up to the Latest Practicable Date, except for the license for online lending information intermediary, micro lending license, ICP License and ODPTP license for certain operating entities as disclosed in the “Risk Factors—The laws and regulations governing the online consumer finance and micro credit industries in China are evolving and subject to changes”, as confirmed by our PRC Legal Advisor we had obtained all the material licenses and permits required for our operations.

According to the phone inquiry with the director of the Financial Service Division of the Fuzhou Finance Work Office on May 30, 2018, (i) Fuzhou Network Micro Credit Company can continue to carry out the micro credit business prior to obtaining the Microcredit License and this does not constitute a material non-compliance, nor will it be regarded as operating online micro credit business without lending qualifications; and (ii) Fuzhou Network Micro Credit Company is now under the normal operation stage and is waiting for Microcredit License to be granted. Our PRC Legal Advisor is of the view that the Fuzhou Finance Work Office is the competent authority and the relevant director has the authority to give the relevant confirmation and it is unlikely that such confirmation will be challenged by higher government authorities. For further details, please see “Contractual Arrangements—PRC Laws and Regulations relating to Foreign Ownership Regulations—Restrictions on foreign ownership.”

As disclosed in “Regulatory Environment—Regulations Relating to Internet Companies—Regulations on Value-Added Telecommunication Services”, it is unclear whether Hangzhou Yiniu Network Technology Co., Ltd (“Hangzhou Yiniu”), as the operator to conduct the online lending information intermediary business, will be required to apply for ICP License or the ODPTP License after completion of the P2P filing and registration. If the corresponding telecommunications business license to obtain is clarified as the ODPTP License in the future, we will apply for the ODPTP License once we have completed the filing of P2P lending information intermediaries and as advised by our PRC Legal Advisor, the requirement for applying ODPTP License is the same for applying ICP License and since Hangzhou Yiniu has already obtained the ICP License, our PRC Legal Advisor and us thereby believe there is no further requirement to be satisfied for the application of ODPTP License. During the Track Record Period, the revenue contribution from Hangzhou Yiniu was RMB9.9 million, RMB88.7 million and RMB1,298.3 million, respectively. As advised by our PRC Legal Advisor, since ODPTP License may not be required for Hangzhou Yiniu and even it is required, there is no further requirement to be satisfied to apply ODPTP License, we believe the requirements for obtaining ODPTP License, if any, will not have a material impact on our business operation. As of the Latest Practicable Date, specific requirements and detailed implementation rules of such registration and licensing regime in Zhejiang Province are still pending further clarification. As advised by our PRC Legal Advisor, according to the current regulatory regime on filing of P2P

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lending information intermediaries, we consider we have fulfilled the prerequisite requirements for such filing in all material aspects. Except for Hangzhou Yiniu's online lending information intermediary license and ODPTP license (if applicable), there is no other entity operating without requisite licenses.

The following is a list of our material licenses and permits required for our operation:

| No. | Name of Licenses/<br>Permits/Approvals | Entity                                                        | Issuing Authority                            | Issuance Date         | Expiry Date /<br>Registration<br>Status |
|-----|----------------------------------------|---------------------------------------------------------------|----------------------------------------------|-----------------------|-----------------------------------------|
| 1   | ICP License                            | Hangzhou Enniu<br>Network Technology<br>Co., Ltd.             | Zhejiang<br>Communications<br>Administration | September 28,<br>2015 | September 27,<br>2020                   |
| 2   | SP License                             | Hangzhou Enniu<br>Network Technology<br>Co., Ltd.             | MIIT                                         | December 2, 2015      | December 2, 2020                        |
| 3   | ICP License                            | Hangzhou Yiniu<br>Network Technology<br>Co., Ltd.             | Zhejiang<br>Communications<br>Administration | May 17, 2017          | May 30, 2021                            |
| 4   | ICP License                            | Beijing Dingli<br>Chuangshi Technology<br>Co., Ltd.           | Beijing<br>Communications<br>Administration  | February 3, 2017      | February 3, 2022                        |
| 5   | ICP License                            | Beijing Shouhui<br>Shidai Information<br>Technology Co., Ltd. | Beijing<br>Communications<br>Administration  | January 28, 2015      | June 28, 2018 <sup>(1)</sup>            |
| 6   | ICP License                            | Shanghai Jingjia<br>Network Technology<br>Co., Ltd.           | Shanghai<br>Communications<br>Administration | January 26, 2018      | January 26, 2023                        |
| 7   | ICP License                            | Hangzhou Yeniu Asset<br>Management Co., Ltd.                  | Zhejiang<br>Communications<br>Administration | December 21, 2017     | December 10, 2022                       |
| 8   | ICP License                            | Hangzhou Shangniu<br>Network Technology<br>Co., Ltd.          | Zhejiang<br>Communications<br>Administration | December 11, 2017     | December 10, 2022                       |

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| No. | Name of Licenses/<br>Permits/Approvals | Entity                                                               | Issuing Authority                            | Issuance Date     | Expiry Date /<br>Registration<br>Status |
|-----|----------------------------------------|----------------------------------------------------------------------|----------------------------------------------|-------------------|-----------------------------------------|
| 9   | ICP License                            | Hangzhou Shangniu<br>Information<br>Technology Co., Ltd.             | Zhejiang<br>Communications<br>Administration | November 27, 2017 | November 26, 2022                       |
| 10  | ICP License                            | Hangzhou Wuyao<br>Technology Co., Ltd.                               | Zhejiang<br>Communications<br>Administration | January 5, 2018   | January 4, 2023                         |
| 11  | ICP License                            | Hangzhou Jiniu<br>Network Technology<br>Co., Ltd.                    | Zhejiang<br>Communications<br>Administration | November 27, 2017 | November 26, 2022                       |
| 12  | ICP License                            | Hangzhou Weizi Asset<br>Management Co., Ltd.                         | Zhejiang<br>Communications<br>Administration | November 27, 2017 | November 26, 2022                       |
| 13  | ICP License                            | Beijing Yaku Shikong<br>Information Exchange<br>Technology Co., Ltd. | Beijing<br>Communications<br>Administration  | January 28, 2015  | January 28, 2020                        |

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- (1) We will apply to renew the ICP Licenses as soon as practically possible. As advised by our PRC Legal Advisor, we do not expect any material impediment to renewing the ICP Licenses for Beijing Shouhui Shidai Information Technology Co., Ltd.

Our PRC Legal Advisor has advised us that such licenses and permits remain in full effect and had not been revoked or cancelled as of the Latest Practicable Date. Our PRC Legal Advisor also has advised us that, to the best knowledge of our PRC Legal Advisor, there is no legal impediment to renew such licenses and permits, as long as we comply with the relevant legal requirements and provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and schedule prescribed by the applicable laws and regulations of the PRC.

For more information about the laws and regulations to which we are subject, see “Regulatory Environment—Regulations Relating to Internet Companies.”

### ***Legal Proceedings***

We may from time to time get involved in legal proceedings arising in the ordinary course of business.

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Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not involved in any litigation, arbitration or administrative proceeding against us or any of our Directors that could have a material and adverse effect on our business, financial conditions or results of operations. Furthermore, to the knowledge of our Directors, there is no pending or foreseeable litigation, arbitration or administrative proceeding against us or any of our Directors that could cause a material and adverse effect on our business, financial conditions or results of operations.

### *Anti-Money Laundering Procedures*

We have established internal control policies and procedures with respect to monitoring and reporting of any suspected money laundering activities as part of our due diligence and risk assessment procedures. These procedures include: (i) taking multiple identity verification measures against each loan applicant; (ii) performing comprehensive analysis to assess the money-laundering risks of the loan applicant; (iii) identifying and monitoring suspicious transactions; (iv) reporting the identified suspicious transactions to relevant government authorities and (v) providing ongoing anti-money laundering training to our employees.

As part of our risk management procedures, we also ensure that loans from us or from our financing partners are deposited to the correct borrowers' bank accounts and use our custodian bank as intermediaries for settlement and payment to further reduce money laundering risks.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (on the basis that all Class B Ordinary Shares and Preferred Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised), Rising Sun will, directly and indirectly, hold 10.12% of the issued share capital in the Company. Rising Sun is wholly-owned by Wukong Ltd. Wukong Ltd. is beneficially owned by Wukong Trust, which was established by Mr. Sun as the settlor. TMF (Cayman) Ltd. is the trustee of Wukong Trust, and Mr. Sun is the beneficiary of Wukong Trust. Accordingly, Mr. Sun, through Wukong Trust, Wukong Ltd. and Rising Sun and by virtue of the Voting Proxy Agreement and the Limited Partnership Agreement, is entitled to control the voting right of approximately 47.02% of the total issued share capital in the Company. Therefore, Mr. Sun (as the settlor of Wukong Trust), Wukong Ltd. and Rising Sun are the Controlling Shareholders of our Company.

For the background of our Controlling Shareholders, please refer to the sections headed “*History, Reorganization and Corporate Structure*” and “*Directors and Senior Management*.”

### Voting Proxy Agreement

The Company will enter into a voting proxy agreement (the “**Voting Proxy Agreement**”) with Rising Sun, 51 Stock Limited, 51 Award Limited, Tiantu Investments Limited, Action Chain International Limited, MSK XF Holding Ltd, LF Alpha Ltd and Achieve Success Technology Development Limited (other than the Company, each, a “**Party to the Voting Proxy Agreement**”, collectively, the “**Parties to the Voting Proxy Agreement**”).

Pursuant to the Voting Proxy Agreement, Rising Sun will be entitled to exercise, in its sole discretion, all the voting powers associated with the shares of the Company on behalf of the Parties to the Voting Proxy Agreement on all matters submitted to a vote of shareholders of the Company at any meeting of shareholders, except for matters in respect of which Rising Sun is required to abstain from voting pursuant to the Listing Rules or any other applicable laws and rules (including the applicable Cayman Islands laws and rules with respect to corporate governance).

The Voting Proxy Agreement will be effective upon Listing and will be indefinite so long as each of the Parties to the Voting Proxy Agreement holds any shares in the Company, and shall terminate when the relevant Party to the Voting Proxy Agreement no longer holds any shares in the Company. Each of the Parties to the Voting Proxy Agreement will be subject to a lock-up period of six months from the date of listing and in the following six months, each of them shall seek prior written consent from Rising Sun before entering into any transaction that would result in any material change in each of the respective shareholding in the Company or result in the voting interests controlled by Rising Sun in the Company falling below 30% in order to ensure compliance with Rule 10.07 of the Listing Rules.

Each of the Parties to the Voting Proxy Agreement undertakes to the Company, that during the term of the Voting Proxy Agreement and so long as the Contractual Arrangements are in force, it shall use its best efforts to do and procure the Company and Rising Sun to do all such possible acts that are necessary to give effect to the Contractual Arrangements and/or enable the continuation of

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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business operations of the PRC Operating Entities of the Company as a result of any impact due to the promulgation and implementation of the new Foreign Investment Law and other future laws and regulations relating to foreign investment. For the details of such undertaking, please refer to the section headed “*Contractual Arrangements — Development in the PRC Legislation on Foreign Investment— Potential measures to maintain control over and receive economic benefits from our PRC Operating Entities*”.

### Limited Partnership Agreement

Rising Sun entered into the Limited Partnership Agreement with Tai Yong Holdings Ltd on October 13, 2017, as amended and restated on November 17, 2017, for the purpose of establishing 51 Xinhua L.P., a Cayman Islands exempted limited partnership, and regulating the activities and operation of the Partnership. Pursuant to the Limited Partnership Agreement, Rising Sun serves as the general partner and Tai Yong Holdings Ltd serves as the limited partner. Among other things, Rising Sun, as the general partner, has the power to exercise all voting rights on behalf of the Partnership, in its capacity as a shareholder of the Company subject to certain special rights granted to the limited partner as provided in the Shareholders’ Agreement (which shall be terminated either before the first submission of the first listing application or upon the listing (as the case maybe)). Pursuant to the Limited Partnership Agreement, Rising Sun and Tai Yong Holdings Ltd agreed that the Partnership shall not sell any part of its interests in the Company during the following period, whichever is shorter: (i) within the first year immediately following the completion of the Global Offering; or (ii) the shortest period after the IPO (as defined in the Limited Partnership Agreement) during which a shareholder of the Company is not allowed to dispose of its shares in the Company, pursuant to any contractual arrangement (including the Voting Proxy Agreement) between such shareholder and Rising Sun and/or its affiliates. For the purpose of the Limited Partnership Agreement, “IPO” means a firmly underwritten public offering of the Company’s securities on a reputable international stock exchange (or any combination of such exchanges and jurisdictions) at an agreed pre-money valuation and offering proceeds.

As a result of the arrangements set out in the Voting Proxy Agreement and the Limited Partnership Agreement, Mr. Sun, directly or indirectly, controls approximately 47.02% of the voting rights of the Company immediately after the completion of the Global Offering (on the basis that all the Preferred Shares and Class B Ordinary Shares are converted into the Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised).

### INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders after the Listing.

#### Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of seven Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors. For more information, please refer to the section headed “*Directors and Senior Management*” in this prospectus.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors, comprising more than one third of the Board and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see the section headed “*Relationship with Our Controlling Shareholders—Corporate Governance Measures*” below for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role in our Group independently.

### **Operational Independence**

Our Group is not operationally dependent on the Controlling Shareholders. Our Company (through our PRC Operating Entities) holds all relevant licenses essential to the operation of our businesses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business of provision of personal credit management, credit card technology services, and online credit facilitation and investment services. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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In addition, pursuant to the Contractual Arrangements, our Directors are authorized to exercise all of the rights of the Registered Shareholders. Our Group is entitled to enjoy all the economic benefits of the PRC Operating Entities and to exercise management control over the operations of Hangzhou Enniu. Pursuant to the Exclusive Option Agreement, Hangzhou Zhenniu (or any subsidiary within our Group) has been granted an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Hangzhou Enniu for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. In addition, pursuant to the Exclusive Business Cooperation Agreement, Hangzhou Zhenniu has the exclusive and proprietary rights to all intellectual properties developed by our PRC Operating Entities, given that Hangzhou Zhenniu provides consultation services to Hangzhou Enniu.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

### **Financial Independence**

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have opened accounts with banks independently and have not shared any bank account with our Controlling Shareholders or their close associates. We have made tax filings and paid tax independently of our Controlling Shareholders and their close associates pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and credit profile to support our daily operations.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Mr. Sun, our Controlling Shareholder, has provided guarantees for certain of our loans (the “**Loans**”). The following table sets forth the details of the Loans as of December 31, 2017:

| Borrower                  | Lender                                    | Date of loan agreement | Principal and duration                                                                                                                                                 | Interest rate                                                                           | Outstanding loan amount as of December 31, 2017 | Guarantor                                                           | Purpose                                                                                                                                                                                                                                       |
|---------------------------|-------------------------------------------|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5IRENPIN.COM Inc. . . . . | Mr. Wang Yonghua                          | April 6, 2017          | HK\$400 million (i.e. the principal amount of the loan) shall be fully settled by April 5, 2018                                                                        | Annual rate of 6.5%                                                                     | HK\$152 million                                 | 100% of the loan (i.e. the principal amount of the loan) by Mr. Sun | For acquisition of the shares of China Netcom Technology Holdings Limited. Please refer to the section headed “History, Reorganization and Corporate Structure — Historical Acquisition — 3. Acquisition of China Netcom” for further details |
| Hangzhou Enniu . . . . .  | CMS Asset Management Co., Limited         | December 4, 2017       | RMB320 million (i.e. the principal amount of the loan) shall be fully settled by December 3, 2021                                                                      | Annual rate of 8.035%                                                                   | RMB320 million                                  | 100% of the loan (i.e. the principal amount of the loan) by Mr. Sun | For the acquisition of equity interests in Yaku Shikong. Please refer to the section headed “History, Reorganization and Corporate Structure — Historical Acquisition — 3. Acquisition of Yaku Shikong” for further details                   |
| Hangzhou Enniu . . . . .  | Zhejiang Chouzhou Commercial Bank Limited | June 26, 2017          | RMB80 million (i.e. the principal amount of the loan) shall be fully settled by June 15, 2018                                                                          | Annual rate of 7.2%                                                                     | RMB80 million                                   | 100% of the loan (i.e. the principal amount of the loan) by Mr. Sun | For replenishing the Group’s working capital                                                                                                                                                                                                  |
| Hangzhou Enniu . . . . .  | Hangzhou Bank Co., Ltd.                   | September 4, 2017      | RMB30 million (i.e. the principal amount of the loan) shall be fully settled by September 3, 2020                                                                      | Monthly rate of 0.63%                                                                   | RMB0                                            | 100% of the loan (i.e. the principal amount of the loan) by Mr. Sun | For investment in an associate                                                                                                                                                                                                                |
| Hangzhou Enniu . . . . .  | Hangzhou Bank Co., Ltd.                   | August 29, 2017        | RMB53 million (i.e. the principal amount of the loan) shall be repaid in 96 installments commencing from August 29, 2017 and shall be fully settled by August 27, 2025 | Annual rate of 11.5% of the five-year loan benchmark rate of the People’s Bank of China | RMB51.7 million                                 | 100% of the loan (i.e. the principal amount of the loan) by Mr. Sun | For purchase of properties for commercial use                                                                                                                                                                                                 |

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Capability to obtain financing independently

We believe our Group is able to obtain replacement financing from independent financial institutions without guarantees provided by our Controlling Shareholders if necessary. We have obtained firm commitments (the “**Commitments**”) from Tiantu Investments and the other independent commercial banks, pursuant to which each of them agreed to provide to the Company with loans with an aggregate amount equivalent to or above the principal amount or the outstanding loan amount of the respective Loans without parent guarantee or guarantee from any other third party. As of the Latest Practicable Date, we have not applied for any loans provided for under the Commitments as we believe that the loans provided for under the Commitments would unnecessarily increase financing costs of our Group, and it is in the commercial interests of our Group to retain the Loans.

We expect that the Loans would be our Group’s only loans with guarantees provided by our Mr. Sun upon Listing. We have developed various and stable bank relations to support our operations. In view of the financing costs if we replace the Loans, we do not intend to repay the Loans prior to maturity, or seek release of the guarantees given by Mr. Sun. The Commitments that we obtained demonstrate that we are able to obtain new financing on market terms without guarantee or security from Mr. Sun, our Controlling Shareholder, following the Listing. Accordingly, we believe that, notwithstanding the existence of the Loans upon Listing, we are financially independent of our Controlling Shareholders.

Save as disclosed above, as of the Latest Practicable Date, there was no outstanding loan granted by our Controlling Shareholders or their close associates to us and no guarantees provided for our benefit by our Controlling Shareholders or any of their close associates.

Based on the above, our Company considers there is no financial dependence on our Controlling Shareholders and their close associates.

### COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Controlling Shareholders in our Company, its subsidiaries and the PRC Operating Entities, our Controlling Shareholders and Directors confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

### CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

- (a) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if the Company enters into connected transactions with a Controlling Shareholder or any of his associates, the Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and
- (g) we have appointed Guotai Junan Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

## CONNECTED TRANSACTIONS

### CONTINUING CONNECTED TRANSACTIONS

We have entered into the following continuing agreements and arrangements with our connected persons set out more particularly below. Upon the Listing, these transactions will constitute continuing connected transactions under the Listing Rules.

|                                                 |                                                                          |                                                                                                                    | Proposed annual cap for the year ending<br>December 31 |                |                |
|-------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|----------------|----------------|
| Transactions                                    | Applicable Listing Rules                                                 | Waiver Sought                                                                                                      | 2018                                                   | 2019           | 2020           |
|                                                 |                                                                          |                                                                                                                    | (in RMB)                                               | (in RMB)       | (in RMB)       |
| A. Exempt continuing connected transaction      |                                                                          |                                                                                                                    |                                                        |                |                |
| Guarantees from Mr. Sun                         | 14A.90                                                                   | Not applicable                                                                                                     | Not applicable                                         | Not applicable | Not applicable |
| B. Non-exempt continuing connected transactions |                                                                          |                                                                                                                    |                                                        |                |                |
| Contractual Arrangements                        | 14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59, 14A.71 and 14A.105 | Requirements as to announcement, circular, shareholders' approval, annual cap, and terms not more than three years | Not applicable                                         | Not applicable | Not applicable |

#### A. Exempt Continuing Connected Transactions

##### *Guarantees from Mr. Sun*

Mr. Sun, our Controlling Shareholder, has provided guarantees for certain of our loans. Please refer to the section headed “*Relationship with our Controlling Shareholders—Independence from the Controlling Shareholders—Financial Independence*” for further details.

Our Directors are of the view that the guarantees, being financial assistance (as defined in the Listing Rules) provided by Mr. Sun for our benefit, were on normal commercial terms and no security over our assets was granted in respect of such financial assistance. Accordingly, such guarantees are exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

#### B. Non-exempt Continuing Connected Transactions

##### **Contractual Arrangements**

##### ***Background***

As disclosed in the section headed “*Contractual Arrangements*,” due to regulatory restrictions on foreign ownership in the PRC, we conduct a substantial portion of our business through our PRC Operating Entities in China.

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## CONNECTED TRANSACTIONS

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We do not hold any equity interests in our PRC Operating Entities. Rather, through the Contractual Arrangements, we effectively control these PRC Operating Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements among us, Hangzhou Zhenniu, our PRC Operating Entities and shareholders of our PRC Operating Entities enable us to (i) receive substantially all of the economic benefits from our PRC Operating Entities in consideration for the services provided by Hangzhou Zhenniu; (ii) exercise effective control over our PRC Operating Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in our PRC Operating Entities when and to the extent permitted by PRC laws.

The Contractual Arrangements comprise the Exclusive Option Agreement, Exclusive Business Cooperation Agreement, Share Pledge Agreement, Power of Attorney and Spouse Undertakings. Please refer to the section headed “*Contractual Arrangements*” for details of these agreements.

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person,” the PRC Operating Entities will be treated as the Company’s wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as the Company’s “connected persons.”

### ***Listing Rules implications***

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Company. The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### ***Reasons for the Waiver Application***

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations, that such transactions have been and will be entered into in our ordinary and usual course of business, are on normal commercial terms or better and the terms are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Our Directors also believe that our structure, whereby the financial results of Hangzhou Enniu are consolidated into our financial statements as if they were our Company’s wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

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## CONNECTED TRANSACTIONS

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In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent Shareholders' approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to our Company.

To ensure sound and effective operation of our Group after the adoption of the Contractual Arrangements, the management of our Group plans to take the following measures:

- (a) as part of the internal control measures, major issues arising from implementation and performance of the Contractual Arrangements will be reviewed by the Board on a regular basis which will be no less frequent than on a quarterly basis. Our Board will determine, as part of its periodic review process, whether legal advisors and/or other professionals will need to be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements;
- (b) matters relating to compliance and regulatory enquiries from governmental authorities, if any, will be discussed by the Board on a regular basis which will be no less frequent than on a quarterly basis;
- (c) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequent than on a monthly basis, to the senior management of our Company on the compliance and performance conditions under the Contractual Arrangements and other related matters; and
- (d) our Company shall comply with the conditions prescribed under the waiver granted by the Stock Exchange in connection with the continuing connected transactions contemplated under the Contractual Arrangements.

### *Conditions of Waiver*

In view of 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 in respect of the transactions contemplated under the Contractual Arrangements 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:

### *No change without independent non-executive Directors' approval*

No change to the Contractual Arrangements (including with respect to any fees payable to Hangzhou Zhenniu thereunder) will be made without the approval of the independent non-executive Directors.



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## CONNECTED TRANSACTIONS

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### *No change without independent Shareholders' approval*

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, 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 our Company will however continue to be applicable.

### *Economic benefits flexibility*

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Operating Entities through (i) our Group's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the PRC Operating Entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the PRC Operating Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the Hangzhou Zhenniu by the PRC Operating Entities under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the PRC Operating Entities.

### *Renewal and reproduction*

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and the PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive 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 our Group which our Group may establish will, upon renewal and/ or reproduction of the Contractual Arrangements, however be treated as connected persons of our Group and transactions between these connected persons and our 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.

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## CONNECTED TRANSACTIONS

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### *Ongoing reporting and approvals*

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts 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 our PRC Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the PRC Operating Entities during the relevant financial period above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of the Shareholders as a whole;
- our Company's auditors will carry out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our PRC Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," our PRC Operating Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the PRC Operating Entities and its associates will be treated as connected persons of our Company (excluding for this purpose, the PRC Operating Entities), and transactions between these connected persons and our Group (including for this purpose, the PRC Operating Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- our PRC Operating Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the PRC Operating Entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

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## CONNECTED TRANSACTIONS

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### WAIVER

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements under the Listing Rules in respect of the non-exempt continuing connected transactions mentioned above.

### CONFIRMATION FROM THE DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and the terms are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

### CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant documents and information provided by our Group, have obtained necessary representations and confirmations from our Company and our Directors and have participated in the due diligence and discussions with our management and our PRC Legal Advisor. Based on the above, the Joint Sponsors are of the view that the Contractual Arrangements are fundamental to our legal structure and business operations and that the Contractual Arrangements have been entered into in our ordinary and usual course of business, on normal commercial terms and are fair and reasonable and are in the interests of the Shareholders as a whole.

The Joint Sponsors are also of the view that with respect to the term of the relevant agreements underlying the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of the PRC Operating Entities can be effectively controlled by Hangzhou Zhenniu; (ii) Hangzhou Zhenniu can obtain the economic benefits derived from the PRC Operating Entities; and (iii) any possible leakages of assets and values of the PRC Operating Entities can be prevented, on an uninterrupted basis.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board consists of seven Directors, among which, three are executive Directors, one is a non-executive Director and three are independent non-executive Directors. The Directors serve for a term of three years and shall be subject to re-election upon expiry of the term of office.

### DIRECTORS

The following table sets forth the key information of our Directors:

| Name                               | Age | Date of joining our Group | Date of appointment as Director | Position                                                  | Responsibility                                                                                                                                                                              |
|------------------------------------|-----|---------------------------|---------------------------------|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr. Sun Haitao (孫海濤) . . . . .     | 38  | August 2012               | September 20, 2017              | Chairman<br>Executive Director<br>Chief Executive Officer | Overseeing the affairs of the Board and supervising and inspecting the implementation of Board resolutions and giving strategic advice and guidance on the business operations of our Group |
| Mr. Yang Yuzhi (楊宇智) . . . . .     | 30  | February 2016             | November 22, 2017               | Executive Director<br>Vice-president                      | Overseeing business cooperation and supervising the implementation of business strategy                                                                                                     |
| Mr. Zhao Ke (趙軻) . . . . .         | 34  | October 2015              | November 22, 2017               | Executive Director<br>Chief Financial Officer             | Supervising and managing the overall accounting and finance, legal and investment matters of our Group                                                                                      |
| Ms. Zou Yunli (鄒雲麗) . . . . .      | 45  | November 2017             | November 22, 2017               | Non-Executive Director                                    | Provide professional opinion and judgment to our Board                                                                                                                                      |
| Mr. Wong Ti (汪棣) . . . . .         | 60  | February 2018             | February 27, 2018               | Independent non-executive Director                        | Supervising and providing independent judgment to our Board                                                                                                                                 |
| Mr. Wang Zhaocheng (王朝成) . . . . . | 41  | February 2018             | February 27, 2018               | Independent non-executive Director                        | Supervising and providing independent judgment to our Board                                                                                                                                 |
| Mr. Ye Xiang (葉翔) . . . . .        | 54  | February 2018             | February 27, 2018               | Independent non-executive Director                        | Supervising and providing independent judgment to our Board                                                                                                                                 |

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Sun Haitao (孫海濤)**, aged 38, was appointed as our Chairman and Executive Director on September 20, 2017. He has been our Chief Executive Officer since August 2012. Mr. Sun currently serves as a director of a number of subsidiaries including, among others, Hangzhou Enniu Network Technology Co., Ltd. (杭州恩牛網絡技術有限公司), Beijing Dingli Chuangshi Technology Co., Ltd. (北京鼎力創世科技有限公司), Hangzhou Yiniu Network Technology Co., Ltd. (杭州義牛網絡技術有限公司), Hangzhou Yeniu Asset Management Co., Ltd. (杭州也牛資產管理有限公司) and Fuzhou Network Micro Credit Company (撫州網絡小貸公司) of the Group. From May 2004 to August 2007, Mr. Sun served as founder of Hangzhou Aladdin Information & Technology Co., Ltd. (杭州阿拉丁信息科技有限公司) and E City (E都市), a 3D mapping website in the PRC. From August 2007 to February 2012, Mr. Sun served as the general manager and founder of Hangzhou Fangtoo Information & Technology Co., Ltd. (杭州房途信息科技有限公司), a large online second-hand property platform. Mr. Sun has also served as an executive director in China Netcom Technology Holdings Limited (中彩網通控股有限公司), a company listed on the Stock Exchange (Stock Code: 8071) since August 2017.

Mr. Sun obtained a bachelor's degree in business administration from Hangzhou Institute of Electronic Industry (杭州電子工業學院) (now known as Hangzhou Dianzi University (杭州電子工業大學)) in June 2002.

In view of Mr. Sun's experience, personal profile and his roles in our Group as mentioned above and that Mr. Sun has assumed the role of Chief Executive Officer of our Group since August 2012, the Board considers it beneficial to the business prospect and operational efficiency of our Group that upon Listing, Mr. Sun acts as the chairman and continues to act as the Chief Executive Officer of our Company. While this will constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises three independent non-executive Directors out of seven Directors, which is more than the Listing Rules requirement of one-third, and we believe there is sufficient check and balance in the Board; (ii) Mr. Sun and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman and Chief Executive Officer is necessary.

**Mr. Yang Yuzhi (楊宇智)**, aged 30, was appointed as our Executive Director on November 22, 2017. He has been our vice-president since February 2016. Mr. Yang currently serves as a director of Hangzhou Enniu Technology Co., Ltd. (杭州恩牛網絡技術有限公司), a subsidiary of the Group. From June 2010 to October 2012, Mr. Yang served as the regional general manager to Beijing LaShou Technology Co., Ltd. (北京拉手科技有限公司). From February 2014 to March 2016, Mr. Yang served as a director and the chief executive officer of Beijing Dingli Chuangshi Technology Co., Ltd. (北京鼎力創世科技有限公司), a subsidiary of the Group.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Yang graduated from the Northeast Petroleum University School of Economics and Management (東北石油大學經濟管理學院) in July 2013 and obtained a bachelor's degree in engineering management.

**Mr. Zhao Ke (趙軻)**, aged 34, was appointed as our Executive Director on November 22, 2017. He has been our Chief Financial Officer since October 2015. Mr. Zhao currently serves as a director of Hangzhou Enniu Network Technology Co., Ltd. (杭州恩牛網絡技術有限公司), a subsidiary of the Group. From July 2006 to October 2015, Mr. Zhao served in a number of positions, including as a senior manager of the capital markets accounting advisory services group of the assurance practice at Hong Kong Firm of PricewaterhouseCoopers. Mr. Zhao has also served as an executive director in China Netcom Technology Holdings Limited, a company listed on the Stock Exchange (Stock Code: 8071) since August 2017.

Mr. Zhao graduated from Xi'an Jiaotong University (西安交通大學) in July 2005 with a bachelor's degree in finance and obtained a master's degree in economics from the University of Ottawa in October 2006. He was accredited as a certified public accountant by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in May 2011 and by the Hong Kong Institute of Certified Public Accountants in May 2015.

**Ms. Zou Yunli (鄒雲麗)**, aged 45, was appointed as our non-Executive Director on November 22, 2017. Ms. Zou currently serves as a director of Hangzhou Enniu Network Technology Co., Ltd. (杭州恩牛網絡技術有限公司), a subsidiary of the Group. From October 1994 to June 2010, Ms. Zou served in a number of companies, including Shenzhen Tianjian Xinde Accounting Firm (深圳天健信德會計師事務所有限責任公司), Shenzhen Jingjia Group Co., Ltd. (深圳勁嘉集團股份有限公司), a company listed on Shenzhen Stock Exchange (002191) and Shenzhen Tiantu Venture Capital Co., Ltd. (深圳市天圖創業投資有限公司). Ms. Zou joined Tian Tu Capital Co., Ltd. (深圳市天圖投資管理股份有限公司) (National Equities Exchange and Quotations System Stock Code: 833979) in June 2010 and has held various positions successively including as chief financial officer and chief operational officer.

Ms. Zou obtained a bachelor's degree in auditing from Zhongnan University of Economics (中南財經大學) (now known as Zhongnan University of Economics and Law (中南財經政法大學)) in July 1994, a master's degree in professional accountancy from The Chinese University of Hong Kong in December 2004 and an executive master's degree in business administration from The Hong Kong University of Science and Technology in June 2017.

**Mr. Wong Ti (汪棣)**, aged 60 is our Independent non-Executive Director. Mr. Wong was appointed as Independent non-Executive Director of our Company on February 27, 2018, effective upon Listing. Mr. Wong joined PricewaterhouseCoopers China in December 1990 and has held various positions successively. Mr. Wong served as senior auditor, senior manager and partner in the firm's audit department, before retiring in June 2015. He has nearly 25 years of experience in serving financial service industry clients. Mr. Wong has also served as an independent non-executive director of China Merchants Securities Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600999) and the Stock Exchange (Stock code: 6099), since January 2018.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Wong obtained a master's degree in business administration from the University of California, Los Angeles in March 1986. He was accredited as a certified public accountant by The Chinese Institute of Certified Public Accountants in October 2002 and a certified public accountant in the United States in May 1993.

**Mr. Wang Zhaocheng (王朝成)**, aged 41, is our Independent non-Executive Director. Mr. Wang was appointed as Independent non-Executive Director of our Company on February 27, 2018, effective upon Listing. From July 2000 to April 2004, Mr. Wang served in a number of positions including as deputy general manager of the Beijing Office at Anhui Jinjuan Advertisement Co., Ltd. (安徽金鵲廣告有限公司). From April 2004 to March 2015, Mr. Wang served as a director and chairman of Beijing Shengchu Investment Management Consulting Co., Ltd. (北京盛初投資管理諮詢有限公司). Mr. Wang has served as the chairman and chief executive officer of Beijing Yijiupi E-Commerce Co., Ltd. (北京易酒批電子商務有限公司) since March 2015. Mr. Wang has also served as an independent director of Shanxi Xinghuacun Fen Wine Factory Co., Ltd. (山西杏花村汾酒廠股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600809) since May 2016.

Mr. Wang received his bachelor's degree in trade and economics from Anhui University in July 2000.

**Mr. Ye Xiang (葉翔)**, aged 54, is our Independent non-Executive Director. Mr. Ye was appointed as Independent non-Executive Director of our Company on February 27, 2018, effective upon Listing. From August 2001 to November 2007, Mr. Ye served in a number of positions, including as director of China affairs of the Securities and Futures Commission of Hong Kong.

Mr. Ye has served as the managing director of Vision Gain Capital Limited (匯信資本有限公司) since November 2007.

Mr. Ye has also served as an independent non-executive director of Datang Environment Industry Group Co., Ltd. (大唐環境產業集團股份有限公司), a company listed on the Stock Exchange (Stock Code: 1272) since June 2015, an independent non-executive director of Wuling Motors Holdings Limited (五菱汽車集團控股有限公司), a company listed on the Stock Exchange (Stock Code: 0305) since October 2008 and as an independent director of Shenzhen Shenxin Taifeng (Group) Co., Ltd. (深圳市深信泰豐(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000034) since June 2011.

Mr. Ye obtained a bachelor's degree in engineering from Zhejiang University in July 1983 and obtained a master's degree in economics from Zhejiang University in January 1991. Mr. Ye obtained his doctoral degree in economics at the Financial Research Institute of the People's Bank of China (中國人民銀行總行金融研究所) in January 1995. He was accredited as a chartered financial analyst by the CFA Institute in September 2004.



## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The following table sets forth the key information of our senior management:

| Name                                 | Age | Date of joining<br>our Group | Position                                                                                 | Responsibility                                                                                                                                                                              |
|--------------------------------------|-----|------------------------------|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr. Sun Haitao (孫海濤) .               | 38  | August 2012                  | Chairman<br>Executive Director<br>Chief Executive<br>Officer                             | Overseeing the affairs of the Board and supervising and inspecting the implementation of Board resolutions and giving strategic advice and guidance on the business operations of our Group |
| Mr. Yang Yuzhi (楊宇智) .               | 30  | February 2016                | Executive Director<br>Vice-president                                                     | Overseeing business cooperation and supervising the implementation of business strategy                                                                                                     |
| Mr. Zhao Ke (趙軻) . . . .             | 34  | October 2015                 | Executive Director<br>Chief Financial<br>Officer                                         | Supervising and managing the overall accounting and finance, legal and investment matters of our Group                                                                                      |
| Mr. Jiang Yanqing<br>(蔣燕青) . . . . . | 38  | May 2016                     | Chief Risk Officer                                                                       | Overseeing credit facilitation services                                                                                                                                                     |
| Mr. Guo Wei (郭威) . . . .             | 36  | July 2016                    | Chief Technology<br>Officer                                                              | Overseeing development of technology                                                                                                                                                        |
| Mr. Zhu Yangzhi<br>(朱揚志) . . . . .   | 32  | March 2017                   | vice-president in<br>charge of product<br>development and<br>operations                  | Overseeing product development and operations                                                                                                                                               |
| Mr. Zhu Jianfei (朱劍飛) .              | 36  | May 2015                     | vice-president in<br>charge of general<br>management affairs                             | Overseeing general management affairs                                                                                                                                                       |
| Mr. Zhang Xi (章曦) . . . .            | 45  | July 2015                    | vice-president in<br>charge of government<br>relations affairs                           | Overseeing government relations affairs                                                                                                                                                     |
| Mr. Wei Jianpeng<br>(魏建鵬) . . . . .  | 37  | June 2017                    | vice-president in<br>charge of the office of<br>the Board and capital<br>markets affairs | Overseeing the office of the Board and capital markets affairs                                                                                                                              |
| Mr. Zhang Chuanbo<br>(張傳波) . . . . . | 35  | August 2017                  | vice-president in<br>charge of marketing<br>affairs                                      | Overseeing marketing affairs                                                                                                                                                                |

**Mr. Sun Haitao (孫海濤)**, our Chairman, Executive Director and Chief Executive Officer. See “—Directors” in this section for his biographical details.

**Mr. Yang Yuzhi (楊宇智)**, our Executive Director and vice-president. See “—Directors” in this section for his biographical details.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Zhao Ke (趙軻)**, our Executive Director and Chief Financial Officer. See “—Directors” in this section for his biographical details.

**Mr. Jiang Yanqing (蔣燕青)**, aged 38, has been appointed as our chief risk officer since May 2016. From April 2006 to January 2008, Mr. Jiang served as an analyst and a senior analytic specialist at Opera Solutions (Shanghai) Limited (奧浦管理諮詢(上海)有限公司), a wholly-owned subsidiary of Opera Solutions. From June 2008 to July 2013, Mr. Jiang served as a manager in Discover Information Technology (Shanghai) Limited (高沃信息技術(上海)有限公司), a wholly-owned subsidiary of Discover Financial Services. From August 2013 to June 2014, Mr. Jiang served as a management consultant in MasterCard Shanghai Business Consulting Ltd. From June 2014 to May 2016, Mr. Jiang served as senior management in Shanghai Metersbonwe Fashion & Accessories Co. Ltd. (上海美特斯邦威服飾股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002269).

Mr. Jiang obtained a bachelor’s degree in computer science & engineering from Xi’an Jiaotong University in July 2003 and obtained a master’s degree in computer science from Tokyo Institute of Technology in September 2005.

**Mr. Guo Wei (郭威)**, aged 36, has been appointed as our chief technology officer since July 2016. From July 2006 to April 2008, Mr. Guo served as a start-up member of the NetEase Inc. Hangzhou Research Institute (網易杭州研究院). From April 2008 to April 2010, Mr. Guo served as a research and development manager at Vobile (Hangzhou) Network Technologies Co., Limited (阜博通(杭州)網絡科技有限公司). From April 2010 to July 2016, Mr. Guo served as a senior technical expert to Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司), a subsidiary of Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company listed on the New York Stock Exchange (Ticker: BABA) and served as the head of technical team in charge of the 2015 Tmall Double 11 Shopping Festival).

Mr. Guo obtained a bachelor’s degree in software engineering from Zhejiang University (浙江大學) in June 2004 and obtained a master’s degree in computer science and technology from Zhejiang University in June 2006.

**Mr. Zhu Yangzhi (朱揚志)**, aged 32, has been appointed as our vice-president in charge of product development and operations since March 2017. From July 2010 to July 2015, Mr. Zhu served as product planning team leader in Tencent Group. From July 2015 to March 2017, he served as vice-president and general manager of the commercial products and business department of Shenzhen Xunlei Networking Culture Co., Ltd. (深圳市迅雷網文化有限公司).

Mr. Zhu obtained a bachelor’s degree in computer science and engineering from South China University of Technology (華南理工大學) in July 2010.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Zhu Jianfei (朱劍飛)**, aged 36, has been appointed as our vice-president in charge of general management affairs since May 2015. From July 2006 to June 2010, Mr. Zhu served in a number of positions at Shanghai Pudong Human Resources Center (浦東新區人才市場). From June 2010 to April 2013, Mr. Zhu served in a number of positions at Cloudary Corporation (盛霆信息技術(上海)有限公司, also known as (盛大文學)). From April 2013 to April 2015, Mr. Zhu served as general manager of the management support department at DataYes Inc. (通聯數據股份公司).

Mr. Zhu obtained a bachelor's degree in management from Peking University (北京大學) in July 2006 and obtained a master's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in June 2012.

**Mr. Zhang Xi (章曦)**, aged 45, has been appointed as our vice-president in charge of government relations affairs since June 2016. Mr. Zhang joined our Group in July 2015 and has served as officer of the finance department. Mr. Zhang served as a director of Hangzhou Enniu Network Technology Co., Ltd. (杭州恩牛網絡技術有限公司), a subsidiary of the Group, from October 2015 to April 2017. He currently serves as the general manager of Fuzhou Network Micro Credit Company (撫州網絡小貸公司), another subsidiary of the Group. From August 1992 to July 2015, Mr. Zhang served in a number of positions including as a director in the personal finance loans department of the Bank of China.

Mr. Zhang obtained a self-study bachelor's degree in finance from Zhejiang University (浙江大學) in June 2004 and obtained a master's degree in global economics from Jilin University (吉林大學) in June 2013. He was accredited as an accountant by the Ministry of Finance of the People's Republic of China in May 1998, a senior certified credit risk analyst by the China Center for Financial Training (中國金融培訓中心) in April 2014 and a member of the national committee of experts on the internet financial security technology (國家互聯網金融風險技術委員會) since August 2016.

**Mr. Wei Jianpeng (魏建鵬)**, aged 37, has been appointed as our vice president in charge of the office of the Board and capital markets affairs since June 2017. From August 2003 to July 2015, Mr. Wei served in a number of positions including as senior manager in the audit department at PricewaterhouseCoopers Zhong Tian LLP. From July 2015 to July 2016, he served as chief financial officer and executive general manager in China Innovative Capital Management Limited (中新融創資本管理有限公司). From July 2016 to June 2017, he served as office manager and secretary to the board of directors of Zhejiang Orient Holdings Co., Ltd (浙江東方集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600120).

Mr. Wei obtained a bachelor's degree in English (global business) from the Beijing Foreign Studies University (北京外國語大學) in July 2003. He has been accredited as a certified public account by The Chinese Institute of Certified Public Accountants since November 2015.

**Mr. Zhang Chuanbo (張傳波)**, aged 35, has been appointed as our vice-president in charge of marketing affairs since August 2017. From July 2010 to April 2013, he served as marketing director in Beijing LaShou Technology Co., Ltd. (北京拉手科技有限公司). From January 2014 to July 2017, he served in a number of positions including as regional vice-president in Tuniu.Com (途牛旅遊網), a company listed on NASDAQ (Stock Code: TOUR).

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Zhang obtained a bachelor's degree in computer science and technology from Peking University in January 2009.

Save as disclosed above, none of our Directors has any interests in any business, which competes or may compete, either directly or indirectly, with our business.

Save as disclosed above, none of our Directors and members of the senior management is related to other Directors and members of the senior management.

Save as disclosed above, none of our Directors and members of the senior management held any directorship in any public companies, the shares of which are listed in Hong Kong or overseas stock markets, during the three years prior to the date of this Prospectus.

### MANAGEMENT OF OUR GROUP

As the founder of our Group and Chairman and Chief Executive Officer of our Company, Mr. Sun has been overseeing our Group's strategic directions, business operations, financial matters, management and other essential aspects of our operations, and is the key decision maker of our Group. Throughout the Track Record Period, Mr. Sun has been in charge of the core functions of the business operations of our Group, including overseeing business cooperation and supervising the implementation of business strategy, overseeing the overall accounting and finance matters, technology development, product development, human resources and general administrative management and marketing affairs. Given the robust nature of the industry and taking into account the size of our Group at the time of establishment, the Group initially operated with a small management team, in which Mr. Sun provides strategic directions of our Group and makes key decisions for various core functions of the management and operations of our Group for implementation by the fellow members of the management team. The fellow members of the management team are responsible for overseeing the day-to-day management of the assigned areas and report to Mr. Sun from time to time.

As our Group expanded its business scale and operations over the years, Mr. Sun gradually expanded the management team to cater for business development needs such that the core functions of the management and operations could be further delineated with specialized person-in-charge. Notwithstanding such delineation, the key decision-making of the various areas of the Group was still vested in the hands of Mr. Sun. Under Mr. Sun's strategic guidance, members of the senior management meet with Mr. Sun on a weekly basis to discuss issues, business plans, strategies, performance and specific tasks ahead, report on the day-to-day management of their respective functionalities and consult with Mr. Sun on implementation of major decisions. Moreover, notwithstanding certain members of the management team have left our Group during the Track Record Period, in most instances, the positions of those departed were either (i) resumed by Mr. Sun, who was originally responsible for such area or (ii) assumed by other members of the management team.

Considering Mr. Sun's pivotal role of making strategic decisions of our Group and his role in overseeing and making all key decisions of the core functions of our Group which have a material impact on the businesses and financial condition of our Group, we consider the track record results of our Group was largely attributable to the management of Mr. Sun with the assistance of his fellow

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## DIRECTORS AND SENIOR MANAGEMENT

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team members. The departure and addition of other members of the management team did not lead to any material shift in the key strategies and policies of our Group and did not lead to any material adverse impact on our Group. Accordingly, we consider that, notwithstanding Mr. Sun was the only member of the present management team who has remained in the Group throughout the Track Record Period, the management team led by Mr. Sun meets the requirements for management continuity under Rule 8.05(3)(b) of the Listing Rules.

Going forward, while Mr. Sun as the founder will continue to play a crucial role in steering the development and operation of our Group as a whole, as the business operation expands and in anticipation of the Listing, our Company will present the key decisions for approval by the Board in accordance with the requirements of the Listing Rules, the Articles of Association and the laws of Cayman Islands. Upon Listing, the Board will comprise seven Directors in total, including three executive Directors (Mr. Sun, Mr. Yang Yuzhi and Mr. Zhao Ke), one non-executive Director and three independent non-executive Directors (i.e.: more than one-third of the Board as required under the Listing Rules). Accordingly, the non-executive Director and the independent non-executive Directors would form the majority of the Board and provide sufficient check and balance in the Board. Mr. Sun and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, acting for the benefit and in the best interest of the Company and will make decisions for the Group accordingly. We have also established the necessary corporate governance structure following the Corporate Governance Code of the Listing Rules. We believe the above would sufficiently safeguard the interest of the shareholders as a whole.

### COMPANY SECRETARY

**Ms. Li Hiu Ling (李曉玲)**, aged 33, was appointed as the company secretary of the Company in March 2018. Ms. Li has more than 11 years of experience in compliance and corporate secretarial field. From March 2011 to May 2014, she served as the company secretary of China Glass Holdings Limited, a company listed on the Stock Exchange (Stock Code: 3300). From May 2014 to July 2017, she joined Fosun International Limited, a company listed on the Stock Exchange (Stock Code: 0656), and served in a number of positions, including as a compliance director of the office of board secretary department. Ms. Li has also served as the company secretary of China Netcom Technology Holdings Limited, a company listed on the Stock Exchange (Stock Code: 8071) since August 2017. She is responsible for supervising the Group's corporate secretarial matters and overseeing the daily management and operation of the Group's Hong Kong office.

Ms. Li obtained a bachelor's degree in social sciences from the Hong Kong Baptist University in November 2006 and obtained a master's degree in science from the City University of Hong Kong in July 2010. Ms. Li has been an associate of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom since February 2011.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMMITTEES UNDER THE BOARD OF DIRECTORS

The Board delegates certain duties to various committees. In accordance with the relevant laws and regulations of the Cayman Islands, our Articles of Association and the Hong Kong Listing Rules, we have established three committees under the Board of Directors, namely, the Audit Committee, the Nomination Committee, and the Remuneration Committee.

#### Audit Committee

The Audit Committee consists of 3 Directors, namely Mr. Wong Ti, Mr. Wang Zhaocheng and Ms. Zou Yunli, and Mr. Wong Ti is the chairman. The main responsibilities of the Audit Committee include (but are not limited to):

- supervising the annual auditing work, assessing the truthfulness, accuracy and completeness of the audited financial statements and submitting the assessment to the Board for consideration;
- proposing the engagement or change of external auditors and supervising their performance;
- reviewing and evaluating the financial supervising system and internal audit system of the Company;
- discussing the internal control system with management to ensure that management has performed its duty to have an effective internal control system ;
- coordinating the communication between the internal audit department and the external auditors;
- ensuring the Board to promptly reply to the queries raised by external auditors in their statement of audit;
- reviewing the financial information of the Company and its disclosure; and
- other duties authorized by the Board.

#### Nomination Committee

The Nomination Committee consists of 3 Directors, namely Mr. Sun Haitao, Mr. Wang Zhaocheng and Mr. Ye Xiang. Mr. Sun Haitao is the chairman. The main responsibilities of the Nomination Committee include (but are not limited to):

- reviewing the structure, size and composition (including the skills, knowledge and experience of the members) of the Board at least once a year and making recommendations on proposed changes to the Board in accordance with the Company's corporate strategy;

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## DIRECTORS AND SENIOR MANAGEMENT

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- reviewing the requirements and procedures for the appointment of Directors and senior management and providing suggestions to the Board;
- identifying qualified candidates for Directors and senior management, and reviewing and making suggestions on the qualification of the candidates for Directors and senior management;
- evaluating the independence of independent non-executive Directors; and
- other duties authorized by the Board.

### Remuneration Committee

The Remuneration Committee consists of 3 Directors, namely Mr. Wang Zhaocheng, Mr. Sun Haitao and Mr. Ye Xiang. Mr. Wang Zhaocheng is the chairman. The main responsibilities of the Remuneration Committee include (but are not limited to):

- reviewing and examining the remuneration policies and proposals of Directors and senior management based on the position, duties and terms of reference of the Directors and senior management and with reference to the remuneration of similar positions in the same region, in the same industry or competitors;
- reviewing the performance of Directors and senior management in discharging their responsibilities and conduct annual performance evaluation;
- making recommendations to the Board of Directors on the remuneration packages of executive Directors, non-executive Directors and senior management;
- considering the remunerations paid by comparable companies, time commitment and responsibilities and employment conditions for other positions in the Group;
- other duties authorized by the Board.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For the details of the service contracts and appointment letters that we have entered into with our Directors, see the section headed “*Appendix IV—Statutory and General Information—Further Information about our Directors, Staff, Management and Substantial Shareholders*” to this prospectus.

The aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to our Directors in respect of the financial years ended December 31, 2015, 2016 and 2017 and RMB4.2 million, RMB8.4 million and RMB21.7 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in the Accountant’s Report in “Appendix I—Accountant’s Report” to this prospectus.



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## DIRECTORS AND SENIOR MANAGEMENT

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During the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

The remuneration payable to our Directors by us in respect of the financial year ending December 31, 2018 under arrangements in force at the date of this prospectus is estimated to be approximately RMB21.8 million.

The five highest paid individuals of our Group for the financial years ended December 31, 2015, 2016 and 2017 included one, two and two Directors, respectively, whose remuneration is included in the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the relevant Directors set out above. For the financial years ended December 31, 2015, 2016 and 2017, the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the remaining four, three and three highest paid individuals who are neither a Director nor chief executive of our Group were RMB11.7 million, RMB6.5 million and RMB5.3 million, respectively.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

### COMPLIANCE ADVISER

The Company has appointed Guotai Junan Capital Limited as the compliance adviser pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser shall advise us under following circumstances:

- (a) before our publication of any regulatory announcement, circular, or financial report;
- (b) on any contemplated transaction, which might be a notifiable or connected transaction, including share issues and share repurchases;
- (c) where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this Prospectus or where the business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Hong Kong Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of the Shares of the Company, the possible development of a false market or any other matters.

The terms of appointment of our compliance adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (on the basis that all the Preferred Shares and Class B Ordinary Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised), the following persons are expected to have an interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

| Name of substantial shareholder                     | Capacity/Nature of Interest                                                          | Shares held as of the Latest Practicable Date <sup>(1)</sup> |                                        | Immediately following the completion of the Global Offering (on the basis that all Class B Ordinary Shares and Preferred Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised) <sup>(2)</sup> |                                        |
|-----------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
|                                                     |                                                                                      | Number of Shares Held                                        | Approximate Percentage of Shareholding | Number of Shares Held                                                                                                                                                                                                                                        | Approximate Percentage of Shareholding |
| TMF (Cayman) Ltd. <sup>(3)</sup> . . .              | Trustee                                                                              | 120,076,000                                                  | 11.24%                                 | 120,076,000                                                                                                                                                                                                                                                  | 10.12%                                 |
| Wukong Ltd. <sup>(3)</sup> . . . . .                | Interest in a controlled corporation                                                 | 120,076,000                                                  | 11.24%                                 | 120,076,000                                                                                                                                                                                                                                                  | 10.12%                                 |
| Rising Sun Limited <sup>(3)</sup> . . .             | Registered owner                                                                     | 120,076,000                                                  | 11.24%                                 | 120,076,000                                                                                                                                                                                                                                                  | 10.12%                                 |
| Rising Sun Limited <sup>(4)</sup> . . .             | Interest of a party to an agreement regarding interest in the Company <sup>(4)</sup> | 50,355,000                                                   | 4.71%                                  | 50,355,000                                                                                                                                                                                                                                                   | 4.24%                                  |
| Rising Sun Limited <sup>(5)</sup> . . .             | Interest of a party to an agreement regarding interest in the Company <sup>(5)</sup> | —                                                            | —                                      | 387,756,522                                                                                                                                                                                                                                                  | 32.67%                                 |
| Mr. Sun <sup>(3)</sup> . . . . .                    | Settlor and beneficiary of a trust                                                   | 120,076,000                                                  | 11.24%                                 | 120,076,000                                                                                                                                                                                                                                                  | 10.12%                                 |
| Mr. Sun <sup>(4)</sup> . . . . .                    | Interest of a party to an agreement regarding interest in the Company <sup>(4)</sup> | 50,355,000                                                   | 4.71%                                  | 50,355,000                                                                                                                                                                                                                                                   | 4.24%                                  |
| Mr. Sun <sup>(5)</sup> . . . . .                    | Interest of a party to an agreement regarding interest in the Company <sup>(5)</sup> | —                                                            | —                                      | 387,756,522                                                                                                                                                                                                                                                  | 32.67%                                 |
| Tiantu Investments Limited <sup>(6)</sup> . . . . . | Beneficial Interest                                                                  | 95,328,000                                                   | 8.92%                                  | 95,328,000                                                                                                                                                                                                                                                   | 8.03%                                  |
| Tiantu Investments Limited <sup>(5)</sup> . . . . . | Interest of a party to an agreement regarding interest in the Company <sup>(5)</sup> | —                                                            | —                                      | 95,328,000                                                                                                                                                                                                                                                   | 8.03%                                  |

## SUBSTANTIAL SHAREHOLDERS

| Name of substantial shareholder                                                          | Capacity/Nature of Interest                                                          | Shares held as of the Latest Practicable Date <sup>(1)</sup> |                                        | Immediately following the completion of the Global Offering (on the basis that all Class B Ordinary Shares and Preferred Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised) <sup>(2)</sup> |                                        |
|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
|                                                                                          |                                                                                      | Number of Shares Held                                        | Approximate Percentage of Shareholding | Number of Shares Held                                                                                                                                                                                                                                        | Approximate Percentage of Shareholding |
| Tiantu Advisory Company Limited <sup>(6)</sup> . . . . .                                 | Interest in a controlled corporation                                                 | 95,328,000                                                   | 8.92%                                  | 95,328,000                                                                                                                                                                                                                                                   | 8.03%                                  |
| Tiantu Advisory Company Limited <sup>(5)</sup> . . . . .                                 | Interest of a party to an agreement regarding interest in the Company <sup>(5)</sup> | —                                                            | —                                      | 95,328,000                                                                                                                                                                                                                                                   | 8.03%                                  |
| Tiantu Xingbei Investments Limited Company <sup>(6)</sup> . . . . .                      | Beneficial Interest                                                                  | 55,213,000                                                   | 5.17%                                  | 55,213,000                                                                                                                                                                                                                                                   | 4.65%                                  |
| Tiantu Investments International Limited <sup>(6)</sup>                                  | Interest in a controlled corporation                                                 | 55,213,000                                                   | 5.17%                                  | 55,213,000                                                                                                                                                                                                                                                   | 4.65%                                  |
| Shenzhen Tiantu Investment Management Co., Ltd. (深圳市天圖投資管理股份有限公司) <sup>(6)</sup> . . . . | Interest in a controlled corporation                                                 | 150,541,000                                                  | 14.09%                                 | 150,541,000                                                                                                                                                                                                                                                  | 12.68%                                 |
| Shenzhen Tiantu Investment Management Co., Ltd. (深圳市天圖投資管理股份有限公司) <sup>(5)</sup> . . . . | Interest of a party to an agreement regarding interest in the Company <sup>(5)</sup> | —                                                            | —                                      | 150,541,000                                                                                                                                                                                                                                                  | 12.68%                                 |
| Mr. Wang Yonghua <sup>(6)</sup> . . .                                                    | Interest in a controlled corporation                                                 | 150,541,000                                                  | 14.09%                                 | 150,541,000                                                                                                                                                                                                                                                  | 12.68%                                 |
| Mr. Wang Yonghua <sup>(5)</sup> . . .                                                    | Interest of a party to an agreement regarding interest in the Company <sup>(5)</sup> | —                                                            | —                                      | 150,541,000                                                                                                                                                                                                                                                  | 12.68%                                 |
| Tai Shun Holdings Ltd <sup>(7)</sup>                                                     | Beneficial Interest                                                                  | 101,114,000                                                  | 9.46%                                  | 101,140,000                                                                                                                                                                                                                                                  | 8.52%                                  |
| Taichang Investment Limited <sup>(7)</sup> . . . . .                                     | Beneficial Interest                                                                  | 109,217,000                                                  | 10.22%                                 | 109,217,000                                                                                                                                                                                                                                                  | 9.20%                                  |
| 51 Xinhua L.P. <sup>(8)</sup> . . . . .                                                  | Beneficial Interest                                                                  | 50,355,000                                                   | 4.71%                                  | 50,355,000                                                                                                                                                                                                                                                   | 4.24%                                  |
| Hong Kong Xinhua Investment Co., Limited <sup>(7)</sup> . . . . .                        | Interest in a controlled corporation                                                 | 260,686,000                                                  | 24.40%                                 | 260,686,000                                                                                                                                                                                                                                                  | 21.96%                                 |

## SUBSTANTIAL SHAREHOLDERS

| Name of substantial shareholder                                           | Capacity/Nature of Interest                                                          | Shares held as of the Latest Practicable Date <sup>(1)</sup> |                                        | Immediately following the completion of the Global Offering (on the basis that all Class B Ordinary Shares and Preferred Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised) <sup>(2)</sup> |                                        |
|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
|                                                                           |                                                                                      | Number of Shares Held                                        | Approximate Percentage of Shareholding | Number of Shares Held                                                                                                                                                                                                                                        | Approximate Percentage of Shareholding |
| Xinhu Zhongbao Co., Ltd. <sup>(7)(8)</sup> . . . . .                      | Interest in a controlled corporation                                                 | 260,686,000                                                  | 24.40%                                 | 260,686,000                                                                                                                                                                                                                                                  | 21.96%                                 |
| Zhejiang Xinhu Group Co., Ltd. (浙江新湖集團股份有限公司) <sup>(7)(8)</sup> . . . . . | Interest in a controlled corporation                                                 | 260,686,000                                                  | 24.40%                                 | 260,686,000                                                                                                                                                                                                                                                  | 21.96%                                 |
| Tai Yong Holdings Ltd <sup>(8)</sup> . . . . .                            | Interest in a controlled corporation                                                 | 50,355,000                                                   | 4.71%                                  | 50,355,000                                                                                                                                                                                                                                                   | 4.24%                                  |
| 51 Stock Limited <sup>(9)</sup> . . . . .                                 | Nominee for another person                                                           | 112,341,261                                                  | 10.52%                                 | 112,341,261                                                                                                                                                                                                                                                  | 9.46%                                  |
| 51 Stock Limited <sup>(5)</sup> . . . . .                                 | Interest of a party to an agreement regarding interest in the Company <sup>(5)</sup> | —                                                            | —                                      | 112,341,261                                                                                                                                                                                                                                                  | 9.46%                                  |
| 51 Award Limited <sup>(9)</sup> . . . . .                                 | Nominee for another person                                                           | 102,060,261                                                  | 9.55%                                  | 102,060,261                                                                                                                                                                                                                                                  | 8.60%                                  |
| 51 Award Limited <sup>(5)</sup> . . . . .                                 | Interest of a party to an agreement regarding interest in the Company <sup>(5)</sup> | —                                                            | —                                      | 102,060,261                                                                                                                                                                                                                                                  | 8.60%                                  |
| Vistra Trust (Hong Kong) Limited <sup>(9)</sup> . . . . .                 | Trustee of a trust                                                                   | 214,401,522                                                  | 20.07%                                 | 214,401,522                                                                                                                                                                                                                                                  | 18.06%                                 |
| Vistra Trust (Hong Kong) Limited <sup>(5)</sup> . . . . .                 | Interest of a party to an agreement regarding interest in the Company <sup>(5)</sup> | —                                                            | —                                      | 214,401,522                                                                                                                                                                                                                                                  | 18.06%                                 |
| Action Chain International Limited <sup>(10)</sup> . . . . .              | Beneficial Interest <sup>(10)</sup>                                                  | 56,006,000                                                   | 5.5232%                                | 56,006,000                                                                                                                                                                                                                                                   | 4.97%                                  |
| Action Chain International Limited <sup>(5)</sup> . . . . .               | Interest of a party to an agreement regarding interest in the Company <sup>(5)</sup> | —                                                            | —                                      | 56,006,000                                                                                                                                                                                                                                                   | 4.97%                                  |
| Mr. Shen Guojun (沈國軍) <sup>(10)</sup> . . . . .                           | Interest in a controlled corporation <sup>(10)</sup>                                 | 56,006,000                                                   | 5.5232%                                | 56,006,000                                                                                                                                                                                                                                                   | 4.97%                                  |
| Mr. Shen Guojun (沈國軍) <sup>(5)</sup> . . . . .                            | Interest of a party to an agreement regarding interest in the Company <sup>(5)</sup> | —                                                            | —                                      | 56,006,000                                                                                                                                                                                                                                                   | 4.97%                                  |

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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

- (1) Upon Listing, all the Preferred Shares and Class B Ordinary Shares will be converted into Class A Ordinary Shares of our Company on a one-for-one basis. 1,068,323,522 Shares were in issue as of the Latest Practicable Date.
- (2) The calculation is based on the total number of 1,187,026,522 Shares in issue immediately after the completion of the Global Offering (on the basis that all the Preferred Shares and Class B Ordinary Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised).
- (3) Rising Sun is wholly-owned by Wukong Ltd. Wukong Ltd. is beneficially owned by Wukong Trust, which was established by Mr. Sun as the settlor. TMF (Cayman) Ltd. is the trustee of Wukong Trust. Mr. Sun is the beneficiary of Wukong Trust.
- (4) Pursuant to the Limited Partnership Agreement. See the section headed “*Relationship with Our Controlling Shareholders*” for details.
- (5) Pursuant to the Voting Proxy Agreement which will be effective upon Listing. See the section headed “*Relationship with Our Controlling Shareholders*” for details.
- (6) To the best of our Director’s knowledge, Tiantu Investments Limited, a company incorporated in the British Virgin Islands, is held 91.70% by Tiantu Advisory Company Limited, which is in turn wholly-owned by Shenzhen Tiantu Investment Management Co., Ltd. (深圳市天圖投資管理股份有限公司) (“**Shenzhen Tiantu**”), a company established in the PRC and listed on the National Equities Exchange and Quotations (NEEQ: 833979) in the PRC. Mr. Wang Yonghua holds 59.80% shareholding interest in Shenzhen Tiantu. Therefore, under Part XV of the SFO, each of Tiantu Investments Limited, Tiantu Advisory Company Limited, Shenzhen Tiantu and Mr. Wang Yonghua is deemed to be interested in the shares held by Tiantu Investments Limited. Tiantu Xingbei Investments Limited Company, a company incorporated in the Cayman Islands, is held 18% by Tiantu Investments International Limited, which is in turn wholly-owned by Shenzhen Tiantu. The remaining interest in Tiantu Xingbei Investments Limited Company is held by a natural shareholder through a special purpose vehicle established in the British Virgin Islands, which are deemed to be controlled by Shenzhen Tiantu under Part XV of the SFO. Therefore, under Part XV of the SFO, each of Tiantu Xingbei Investments Limited Company, Tiantu Investments International Limited, Shenzhen Tiantu and Mr. Wang Yonghua is deemed to be interested in the shares held by Tiantu Xingbei Investments Limited Company.
- (7) To the best of our Director’s knowledge, Tai Shun Holdings Ltd, a company incorporated in the Cayman Islands, is wholly-owned by Hong Kong Xihu Investment Co., Limited, which is in turn wholly-owned by Xihu Zhongbao Co., Ltd. (新湖中寶股份有限公司) (“**Xihu Zhongbao**”), a company established in the PRC and listed on the Shanghai Stock Exchange (Stock code: 600208). Xihu Zhongbao is deemed to be controlled by Zhejiang Xihu Group Co., Ltd. (浙江新湖集團股份有限公司) (“**Zhejiang Xihu**”) under Part XV of the SFO. Therefore, under Part XV of the SFO, each of Tai Shun Holdings Ltd, Hong Kong Xihu Investment Co., Limited, Xihu Zhongbao and Zhejiang Xihu is deemed to be interested in the shares held by Tai Shun Holdings Ltd. Taichang Investment Limited, a company incorporated in the British Virgin Islands, is wholly-owned by Hong Kong Xihu Investment Co., Limited, which is in turn wholly-owned by Xihu Zhongbao. Therefore, under Part XV of the SFO, each of Taichang Investment Limited, Hong Kong Xihu Investment Co., Limited, Xihu Zhongbao and Zhejiang Xihu is deemed to be interested in the shares held by Taichang Investment Limited.
- (8) To the best of our Director’s knowledge, 51 Xihu L.P. is an exempted limited partnership incorporated in the Cayman Islands. The general partner is Rising Sun and the limited partner is Tai Yong Holdings Ltd, a company incorporated in the Cayman Islands. Tai Yong Holdings Ltd is wholly-owned by Xihu Zhongbao, which is in turn deemed to be controlled by Zhejiang Xihu under Part XV of the SFO. Therefore, under Part XV of the SFO, each of 51 Xihu L.P., Rising Sun, Tai Yong Holdings Ltd, Xihu Zhongbao and Zhejiang Xihu is deemed to be interested in the shares held by 51 Xihu L.P..

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## SUBSTANTIAL SHAREHOLDERS

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- (9) Vistra Trust (Hong Kong) Limited is the trustee and each of 51 Stock Limited and 51 Award Limited is the nominee to administer the RSU Scheme. Each of 51 Stock Limited and 51 Award Limited holds the Shares underlying the RSU granted by us for the benefit of eligible participants pursuant to the RSU Schemes.
- (10) Action Chain International Limited is a limited liability company established under the laws of the British Virgin Islands, which is wholly-owned by Mr. Shen Guojun (沈國軍).

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, please refer to the section headed “*Further Information about our Directors, Staff, Management and Substantial Shareholders*” in “*Appendix IV—Statutory and General Information*” to this prospectus.

Other than as disclosed herein, the Directors are not aware of any person who will, immediately following the completion of the Global Offering, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 and Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings.

## SHARE CAPITAL

The following is a description of our authorized and issued share capital in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering.

| <b>Authorized share capital:</b>                                                                                                                                           |                         |                    | <b>US\$</b>                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------|-------------------------------------------------------|
| 5,000,000,000 Shares . . . . .                                                                                                                                             |                         |                    | 50,000                                                |
| <b>Issued and to be issued, fully paid or credited as fully paid upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised):</b>     | <b>Number of Shares</b> | <b>US\$</b>        | <b>Approximate percentage of issued share capital</b> |
| Shares in issue as at the date ( <i>Note</i> ) . . . . .                                                                                                                   | 413,410,522             | 4,134.10522        | 34.83%                                                |
| Shares to be issued upon the conversion . . . . .                                                                                                                          | 654,913,000             | 6,549.1300         | 55.17%                                                |
| Shares to be issued under the Global Offering .                                                                                                                            | 118,703,000             | 1,187.0300         | 10.00%                                                |
| <b>Total . . . . .</b>                                                                                                                                                     | <b>1,187,026,522</b>    | <b>11,870.2652</b> | <b>100.00%</b>                                        |
| <b>Issued and to be issued, fully paid or credited as fully paid upon the completion of the Global Offering (assuming the Over-allotment Option is exercised in full):</b> | <b>Number of Shares</b> | <b>US\$</b>        | <b>Approximate percentage of issued share capital</b> |
| Shares in issue as at the date ( <i>Note</i> ) . . . . .                                                                                                                   | 413,410,522             | 4,134.10522        | 34.31%                                                |
| Shares to be issued upon the conversion . . . . .                                                                                                                          | 654,913,000             | 6,549.1300         | 54.36%                                                |
| Shares to be issued under the Global Offering .                                                                                                                            | 136,508,500             | 1,365.0850         | 11.33%                                                |
| <b>Total . . . . .</b>                                                                                                                                                     | <b>1,204,832,022</b>    | <b>12,048.3202</b> | <b>100.00%</b>                                        |

*Note:*

Shares in issue as at the date include Class B Ordinary Shares of 28,635,000 which will be automatically converted into Shares upon the completion of the Global Offering.

## RANKING

The Shares are will be ordinary Shares in our share capital and will rank equally with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.



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## SHARE CAPITAL

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### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Pursuant to the Companies Law and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its 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. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, please refer to the section headed “*Articles of Association—Alteration of capital*” in “Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law and Taxation” to this prospectus.

Pursuant to the Companies Law and the terms of the Articles of Association, all or any of the special rights attached to the shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For details, please refer to the section headed “*Articles of Association—Variation of rights of existing shares or classes of shares*” in “Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law and Taxation” to this prospectus. Further, our Company will also hold general meetings from time to time as may be required under the Articles, a summary of which is set out in the section headed “Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law and Taxation” to this prospectus.

### **GENERAL MANDATE TO ISSUE SHARES**

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of any over-allotment rights) and conversion of the Preferred Shares and Class B Ordinary Shares upon completion of the Global Offering; and
- (ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earlier of:

- (i) the conclusion of our next annual general meeting;
- (ii) the expiration of the period within which our next annual general meeting is required under any applicable laws of the Cayman Islands or the Articles of Association to be held; or

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## SHARE CAPITAL

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- (iii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “*Further Information about Our Company*” in “*Appendix IV—Statutory and General Information*” to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of any over-allotment rights) and conversion of the Preferred Shares and Class B Ordinary Shares upon completion of the Global Offering.

This mandate only relates to repurchases made on the Hong Kong Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “*Further Information about Our Company*” in “*Appendix IV—Statutory and General Information*” to this prospectus.

This mandate will expire at the earlier of:

- (i) the conclusion of our next annual general meeting; or
- (ii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Please refer to the section headed “*Further Information about Our Company—Resolutions of Shareholders*” in “*Appendix IV—Statutory and General Information*” to this prospectus for details of this repurchase mandate.

### RSU SCHEMES

The RSU Scheme was conditionally adopted pursuant to the written resolutions of the Board of our Company passed on November 20, 2017. Please refer to the section headed “*RSU Schemes*” in “*Appendix IV—Statutory and General Information*” to this prospectus for details of the RSU Scheme.

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## CORNERSTONE INVESTOR

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### THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**”) with the following investor (the “**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased for an aggregate amount of US\$30,000,000 (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$10.00 per Share (being the mid-point of the indicative Offer Price range of HK\$8.50 and HK\$11.50 per Share), the total number of Offer Shares to be subscribed for by the Cornerstone Investor would be approximately 23,537,500 Shares, representing approximately (i) 22.03% of the total number of International Offering Shares issued under the International Offering, assuming that the Over-allotment Option is not exercised; or (ii) 19.83% of the Offer Shares or 1.98% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 17.24% of the Offer Shares or 1.95% of our entire issued share capital immediately upon completion of the Global Offering, assuming the Over-allotment Option is exercised in full.

To the best knowledge of our Company, the Cornerstone Investor is an Independent Third Party, is not a connected person (as defined under the Listing Rules) of our Company, and is not an existing Shareholder or close associates of our Company. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company on or around July 12, 2018.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with other fully paid Shares then in issue upon completion of the Global Offering and to be listed on the Stock Exchange and will be counted towards the public float of our Shares. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering (other than and pursuant to the Cornerstone Investment Agreement). Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any representation on our Board, nor will the Cornerstone Investor become a substantial shareholder (as defined under the Listing Rules) of our Company. The Cornerstone Investor do not have any preferential rights as compared with other public Shareholders in the Cornerstone Investment Agreement. The number of Offer Shares to be subscribed for by the Cornerstone Investor will not be subject to reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering effected pursuant to paragraph 4.2 of Practice Note 18 to the Listing Rules.

## CORNERSTONE INVESTOR

### OUR CORNERSTONE INVESTOR

We have entered into the Cornerstone Investment Agreement with the Cornerstone Investor in respect of the Cornerstone Placing:

| Cornerstone Investor                    | Investment Amount | Total number of Offer Shares to be subscribed for by the Cornerstone Investor (rounded down to the nearest whole board lot of 500 Shares) based on the Offer Price of HK\$10.00, being the mid-point of the indicative Offer Price range | Approximate percentages of the International Offering Shares based on the Offer Price of HK\$10.00, being the mid-point of the indicative Offer Price range <sup>(1)</sup> | Approximate percentage of the Shares in issue immediately following the completion of the Global Offering <sup>(1)</sup> |                                                                                                |                                                                                               |
|-----------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
|                                         |                   |                                                                                                                                                                                                                                          |                                                                                                                                                                            | Based on the Offer Price of HK\$8.50, being the low-end of the indicative Offer Price range                              | Based on the Offer Price of HK\$10.00, being the mid-point of the indicative Offer Price range | Based on the Offer Price of HK\$11.50, being the high-end of the indicative Offer Price range |
|                                         | US\$              |                                                                                                                                                                                                                                          |                                                                                                                                                                            |                                                                                                                          |                                                                                                |                                                                                               |
| CNCB (Hong Kong) Investment Limited . . | 30,000,000        | 23,537,500                                                                                                                                                                                                                               | 22.03%                                                                                                                                                                     | 2.33%                                                                                                                    | 1.98%                                                                                          | 1.72%                                                                                         |

*Note:*

(1) Assuming that the Over-allotment Option is not exercised.

The information about our Cornerstone Investor set forth below has been provided by the Cornerstone Investor in connection with the Cornerstone Placing.

### CNCB (Hong Kong) Investment Limited (“CNCB Investment”)

Pursuant to the Cornerstone Investment Agreement entered into between our Company, the Joint Global Coordinators and CNCB Investment dated June 27, 2018, CNCB Investment has agreed to subscribe for such number of Offer Shares (rounded to the nearest whole board lot of 500 Offer Shares) which may be purchased with an aggregate amount of HK dollar equivalent of US\$30,000,000 (to be calculated at the exchange rate published by Reuters at 5 p.m. Hong Kong time on the business day immediately before the price determination date of the Offer Price) at the Offer Price. Assuming an Offer Price of HK\$10.00 per Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares that CNCB Investment would subscribe for would be approximately 23,537,500 Shares, representing (i) 22.03% of the total number of International Offering Shares issued under the International Offering, assuming that the Over-allotment Option is not exercised; or (ii) 19.83% of the Offer Shares or 1.98% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 17.24% of the Offer Shares or 1.95% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

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## CORNERSTONE INVESTOR

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CNCB Investment is a company incorporated and registered in Hong Kong, and is the overseas investment and financing platform of China CITIC Bank Corporation Limited (“**CITIC Bank**”). CITIC Bank is a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 998.HK).

### CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

1. the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional and not having been terminated or lapsed (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in such agreements;
2. the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters);
3. the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing as well as other applicable waivers and approvals) and such approval, permission or waiver have not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
4. no Laws shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant cornerstone investment agreement) which prohibit the consummation of the transactions contemplated under the Global Offering or under the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the transactions contemplated under the Global Offering or under the Cornerstone Investment Agreement; and
5. the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor and our Company under the Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor and the Company.

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## CORNERSTONE INVESTOR

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Pursuant to the Cornerstone Investment Agreement, if any of the conditions precedent has not been fulfilled or waived by the parties to such agreement (except that the conditions set out in paragraph (1) to (4) above cannot be waived and the condition set out in paragraph (5) above can only be waived by the Company, the Joint Global Coordinators, the Joint Sponsors and the Cornerstone Investor (as the case may be)), the obligation of the Cornerstone Investor to subscribe for Offer Shares shall cease and the Cornerstone Investment Agreement will terminate.

### RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, among other things and except for certain permitted transfers (including but not limited to transfers of Shares by it to: (a) its wholly-owned subsidiary; or (b) any investment vehicle or partnership managed by it or any of its subsidiaries (in the case, of (b) the accounts of which is consolidated in the consolidated financial statements of the Cornerstone Investor) which are not subject to such restrictions), without the prior written consent of each of our Company and the Joint Sponsors or the Joint Global Coordinators (as the case may be), it will not, whether directly or indirectly, at any time during the period of six (6) months starting from the Listing Date (the “**Lock-up Period**”), (i) dispose of (as defined in the relevant cornerstone investment agreement), in any way, any of the Shares subscribed by it under the Cornerstone Investment Agreement and any shares or securities of our Company derived therefrom (the “**Relevant Shares**”) or any interest in any company or entity holding any of the Relevant Shares; (ii) agree or contract to, or publicly announce any intention to, enter any such transaction described above; or (iii) enter into, directly or indirectly, any transaction for such disposal of the Relevant Shares or interest or any transactions with the same economic effect.

In the event the Cornerstone Investor disposes of any Relevant Shares at any time after expiration of the Lock-up Period, the Cornerstone Investor will notify our Company, the Joint Sponsors and the Joint Global Coordinators by email confirmation as soon as practicable after the proposed disposal and will ensure that such disposal will comply with all applicable Laws.

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*You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.*

*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 development, 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. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this prospectus.*

*For the purpose of this section, unless the context otherwise requires, references to 2015, 2016 and 2017 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.*

### OVERVIEW

We are the largest P2P platform targeting credit card holders in China, as measured by loan facilitation volume in 2017, according to the Oliver Wyman Report. We also operate the largest online credit card management platform in China as measured by MAU in each of 2015, 2016 and 2017, according to the Oliver Wyman Report. Through our credit card management platform, we have accumulated a vast number of highly valuable and credit active users with established credit profile. We took our business model into the next level by strategically entering into online credit facilitation and investment market in 2015. Within two years, our online consumer finance marketplace became the largest online consumer finance marketplace primarily targeting credit card holders, as measured by loan facilitation volume in the end of 2017, according to the Oliver Wyman Report. Launched in 2012, we are the first online credit card management platform in China, offering highly demanded services such as managing multiple credit cards across different issuing banks, new credit card application and credit card bill repayment services, according to the Oliver Wyman Report. As of December 31, 2017, we have successfully managed a cumulative number of 106.3 million credit cards with a record of facilitating credit card repayment transactions totaling RMB108.5 billion in 2017. As of March 31, 2018, the cumulative number of credit cards we have successfully managed reached 112.3 million and the total credit card repayment transactions we facilitated was RMB55.0 billion in the three months ended March 31, 2018. As of December 31, 2017 and March 31, 2018, our registered users reached 62.0 million and 65.3 million, respectively, on our credit card management platform and approximately 81.0 million and 85.6 million, respectively, across all our Apps.

We are the largest online credit card application platform in China in terms of the number of credit cards issued through us in 2017, according to the Oliver Wyman Report. Particularly, we offer



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co-branding credit cards through our in-depth cooperation with several credit card issuing banks, through which we are able to share the income generated from such co-branding credit cards with these banks for a number of years. We believe our co-branding credit cards business has a sustainable growth potential.

Our revenue increased at a CAGR of 402.9% from RMB89.7 million in 2015 to RMB2,268.6 million in 2017. Our adjusted operating profit/(loss), which is our operating profit or loss excluding share-based compensation expenses and listing expenses, was a loss of RMB147.6 million in 2015, and a profit of RMB86.6 million and RMB777.2 million, respectively, in 2016 and 2017. We recorded net loss of RMB693.3 million, RMB2,231.4 million, and RMB1,378.5 million for 2015, 2016, and 2017, respectively. Our adjusted net profit/(loss), which is our net profit or loss excluding share-based compensation expenses, fair value loss of preferred shares, extinguishment gain/(loss) of preferred shares, and finance expenses related to our preferred shares and listing expenses, was a loss of RMB101.2 million in 2015 and a profit of RMB53.5 million and RMB743.8 million, respectively, in 2016 and 2017. In 2016 and 2017, our adjusted operating profit margin was 15.2% and 34.3%, and our adjusted net profit margin was 9.4% and 32.8%.

### BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in “History, Reorganization and Corporate Structure—Overview—Restructuring,” the Company became the holding company of the companies now comprising the Group on November 23, 2017. Immediately prior to the Reorganization, the listing business was carried out by Hangzhou Enniu and its subsidiaries. Upon the completion of the Reorganization, Hangzhou Enniu was transferred to and held by the Company. The Company has not involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a reorganization of the listing business with no change in management of such business and the owners of the listing business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the listing business under Hangzhou Enniu and the Historical Financial Statements have been prepared on a combined basis and is presented using the respective carrying values of the companies now comprising the Group for all periods presented.

Inter-company transactions, balances and unrealized gains/losses on transactions between the group companies are eliminated on consolidation.

The Historical Financial Information of our Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”).

The Historical Financial Information of our Group have been prepared under the historical cost convention, as modified by the revaluation of financial instruments at fair value through profit or loss. The Historical Financial Information of our Group are presented in Renminbi, and all values are rounded to the nearest thousand except otherwise indicated.

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### FACTORS AFFECTING OUR RESULTS OF OPERATIONS

#### **Ability to Maintain and Expand Transaction Volume and User Base**

We attract all of our users from online channels. Our revenues are dependent on our ability to acquire new users and retain and increase engagement of existing users. We focus our user acquisition efforts on providing full suite of products and services to serve our users' evolving financing needs and enhancing our brand awareness. We also advertise our products and services on our Apps and cooperation with App stores, search engines, third-party Apps and social media channels.

#### ***Personal Credit Management and Credit Card Technology Services Users***

Our target users in personal credit management services are primarily credit card holders. As of December 31, 2015, 2016 and 2017 and March 31, 2018, the cumulative number of registered users of 51 Credit Card Manager App was 27.5 million, 42.2 million, 62.0 million and 65.3 million, respectively, and approximately 70% of our users using credit card bill management services have more than one credit card.

We enable our users to conveniently compare and apply for credit cards that suit their profile and credit needs through our credit card technology services, empowering them to build their credit record and achieve better credit management.

As of December 31, 2017, we cooperated with 20 banks for their online credit card applications on a nationwide basis. In 2015, 2016 and 2017, the number of new credit cards issued through us was 0.5 million, 1.2 million and 2.1 million, respectively. The credit card technology service fee increased from RMB45.0 million in 2015 to RMB73.0 million in 2016 and further to RMB140.4 million in 2017. In addition, since April 2017, we have developed in-depth cooperation with several credit card issuing banks in the areas of data application, credit analytics and risk profiling to offer our co-branding credit cards. As of December 31, 2017, 100,905 co-branding credit cards were issued. We intend to continuously dedicate significant resources to improve cooperation with financial institutions in co-branding credit card issuance in the near future, reaching a larger user base and securing a long-term revenue stream.

#### ***Online Credit Facilitation and Investment Services Users***

We engage a majority of our borrowers and investors through our credit card management platform. Our ability to continue engage borrowers and investors efficiently is significantly affected by whether we can continue to direct our credit card management users to use our online credit facilitation and investment services. Leveraging our personal credit management services provided through 51 Credit Card Manager App and our efficient user acquisition efforts, our average new user acquisition cost was RMB19.2 per registered user in 2017. We are committed to improving and optimizing user experience to expand transaction volumes and growing our user base.

#### **Mix of Products and Services**

#### ***Personal Credit Management Services***

We provide personal credit management services primarily to credit card holders through our 51 Credit Card Manager App. Our wide range of personal credit management services include (i)

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management of credit card bills and household bills and credits such as home mortgage, automobile loans, and utilities bills; (ii) repayment facilitation of credit card bills and other liabilities; and (iii) other value-added services, such as checking and monitoring the balance of housing provident fund. Although we do not charge users for personal credit management services, we monetize from the operation of personal credit management platform by utilizing it as a main channel to attract, acquire and nurture revenue-generating users of our credit card technology services and online credit facilitation services and investment services. Our revenue and profitability are dependent on our capability to enhance our users experience and loyalty through provision of full suite of credit management services and encouraging users to try a variety of services and products on our platform.

### *Credit Card Technology Services*

We cooperate with banks in providing credit card application services on our platform. Users of 51 Credit Card Manager App can click on the icon of a bank displayed in our platform and the webpage of the bank will pop up in our App to complete the credit card application process. We receive service fees from these banks for our credit card application services. These fees are generally determined on a cost-per-success basis, where the success is most often defined as the issuance of a credit card. Our revenue from credit card application services is dependent upon the number of banks we partner with and the number of credit cards issued through us.

Leveraging our cooperation with banks on credit card application services and our data-driven risk management capabilities, we have developed in-depth cooperation with banks in the areas of data application, credit analytics and risk profiling to offer our co-branding credit cards. We share the income generated from the co-branding credit cards for a number of years based on the contractual terms with cooperating banks. Our revenue from co-branding credit cards are affected by the number of issued co-branding credit cards, the number of banks we cooperated with, the total interest-bearing balance of holders of co-branding credit cards, and the revenue-sharing model we negotiated with individual banks.

### *Online Credit Facilitation Services and Investment Services*

We facilitate loan products targeting on credit card holders and to a lesser extent, non-credit card holders. All of our loans are unsecured and are primarily funded by individual investors from our platform. For our credit facilitation services, we charge credit facilitation and service fee to the borrowers that are collected on a monthly basis over the term of the loan. In 2015, 2016 and 2017, our credit facilitation and service fee accounted for approximately 18.7%, 67.3% and 71.7% of our total revenue, respectively.

The credit facilitation and service fee we charge depends on the features of our loan products, including service fee rates, the loan durations and the size of loan products. We have implemented segmented risk pricing for our loan products. Prospective borrowers are divided into different credit grades based on our proprietary credit scoring model. The credit facilitation and service fee rate that we charge varies depending on their respective credit grades. Loan products of longer duration and larger size generally correspond to higher transaction service fees. As our fees among the loan products vary, our revenues and profitability are affected by the mix of our loan products.

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Furthermore, we provide investment services to our investors. Although we do not charge investors for investment services, their investment is an important funding source for our loan products. Our users' stickiness to our ecosystem, our brand recognition and expected investment return from our loan products largely affect our attractiveness to potential investors, which in turn affect the stability and sufficiency of our funding source for our loan products.

### **Effective Credit Analysis and Risk Management Capabilities**

Our ability to effectively assess the credit risk of borrowers, assign credit scores and segment borrowers into appropriate risk profiles impacts our ability to attract and retain borrowers and investors as well as our ability to offer investors and institutional funding partners attractive expected returns, both of which directly relate to users' confidence and engagement in our platform. We intend to optimize our fraud detection capabilities, improve accuracy of our credit scoring model and enhance our collection effectiveness on a continuing basis through the combination of our big-data analytical capabilities and the increasing amount of data we accumulate through our operations. See "Business—Risk Management."

### **Ability to Expand Our Funding Sources and Maintain Low Funding Cost**

The growth of our business is dependent on our ability to continuously expand our funding sources and maintain low funding cost. We primarily rely on individual investors and to a lesser extent third-party institutions to fund the loans we facilitate. The availability of funds from individual investors and third-party institutions we collaborated with affects the volume of transactions that we will be able to facilitate. In 2017, 77.0% and 20.3% of the total volume of loans we facilitated to borrowers are funded by individual investors from our ecosystem and institutional funding partners, respectively. With our access to multiple funding sources and the flexibility to adjust allocation of funding needs to different sources, we are not dependent on any particular funding source, and we are able to withstand seasonality and fluctuations in the supply and costs of funding.

In particular, our outstanding balance of funds invested by individual investors was RMB965.7 million as of December 31, 2015, RMB6,134.0 million as of December 31, 2016 and RMB12,078.1 million as of December 31, 2017. Such growth was mainly attributable to (i) the growth in the number of investors who invested through our platform, which increased from 0.4 million in 2015 to approximately 3.0 million in 2017, and (ii) the increase in the average investment amount per individual investor.

For the loan products we facilitate, a change in the interest rate from our funding source may affect the credit facilitation and service fee we earn from borrowers, and our revenue may be adversely affected.

### **Our Ability to Improve Operational Cost Efficiency**

Operational cost efficiency has a large impact on the operating results of our business. Our operating expenses are primarily comprised of origination and servicing expenses, sales and marketing expenses, general and administrative expenses and research and development expenses.

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Our fixed costs are primarily comprised of (i) general and administrative expenses and (ii) research and development expenses. Our scalable technology capabilities enable us to accommodate rapid user base and business growth without experiencing proportionate increase in fixed costs. Our primary variable costs are (i) sales and marketing expenses and (ii) origination and servicing expenses. Unlike our industry peers who incur significant sales and marketing expenses in connection with borrowers and investors acquisition, our sales and marketing expenses primarily related to our user acquisition efforts for our credit management services. As a majority of our borrowers and investors are converted from our credit card management users, we have been able to maintain relative low sales and marketing expenses as a percentage of our revenue during the Track Record Period. Our origination and servicing expenses are also optimized due to economies of scale. For example, our business scale enables us to negotiate more favorable terms with payment service providers. We believe our operational cost efficiency will be improved by our ever growing understanding of our users, diversified products and service offerings and growing brand recognition.

### **Economic Conditions and Regulatory Environment in China**

The demand for loans and credit cards from our users are affected by the overall economic conditions in China. A slowdown in the economy, resulting in a rise in the unemployment rate and/or a decrease in real income, may affect individuals' level of disposable income. This may affect borrowers' repayment capability and their willingness to seek loans and credit cards, which may potentially affect their delinquency rates.

The regulatory environment for the online consumer finance industry in China is developing and evolving, creating both challenges and opportunities that could affect our financial performance. We will continue to make efforts to ensure that we are compliant with the existing laws, regulations and governmental policies relating to our industry and to comply with new laws and regulations or changes under existing laws and regulations that may arise in the future. While new laws and regulations or changes to existing laws and regulations could make facilitating loans to borrowers more difficult or expensive, or make such loan products more difficult for borrowers, institutional funding partners or investors to accept, these events could also provide new product and market opportunities.

### **CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES**

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our material assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the foreseeable future, other than the new estimates and assumptions under IFRS 9 that we adopted beginning on January 1, 2018. We applied IFRS 15 throughout the Track Record Period in our first IFRS financial statements and did not prepare our financial statements in accordance with IAS 18. However, we have assessed the effects of early adoption of IFRS 15 on our financial statements and

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considered the early adoption not to have a significant impact on our financial position and performance. When reviewing our Historical Financial Information, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our critical accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2 to the Accountant's Report in Appendix I to this prospectus. Our critical accounting judgments and estimates that were used in the preparation of our consolidated financial statements are set forth in detail in Note 3 to the Accountant's Report in Appendix I to this prospectus.

### Revenue recognition

Revenue is recognized when service is provided to the customer. Depending on the terms of the contract and the laws that apply to the contract, service may be provided over time or at a point in time. Service is provided over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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 service 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 the service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict 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.

If a contract involves multiple services, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

### Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

For financial assets designated as at fair value through profit or loss, the following criteria must be met:

- The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as ‘an accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; and
- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group’s key management personnel. The Group’s investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss; and
- A contract contains an embedded derivative that meets particular conditions.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premiums on acquisition and includes fees or costs that are an integral part of the effective interest rate.

### *Recognition and measurement*

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statements of comprehensive income. Available-for-sale financial assets and Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

### *(iii) De-recognition of financial assets*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of



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ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

### **Intangible assets**

The Group's intangible assets include software, platform, applications, licenses and goodwill.

Intangible assets can be recognized only when future economic benefits expected to be obtained from the use of the item will flow into the Group and its cost can be measured reliably. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

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 product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development staff cost and an appropriate portion of relevant overheads.

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Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

The useful lives of intangible assets are assessed by the period of bringing economic benefits for the Group.

The intangible assets acquired in a business combination, mainly including software, platform, applications, license and goodwill, are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortisation and impairment losses, if any.

The expected service lives of intangible assets are as follows:

|              | Estimated useful<br>lives of the assets |
|--------------|-----------------------------------------|
| Software     | 2-3 years                               |
| Platform     | 5 years                                 |
| Applications | 10 years                                |
| License      | Indefinite                              |
| Goodwill     | Indefinite                              |

Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed, and adjusted if appropriate, at least at each year end.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

### Financial guarantee

#### *Quality assurance fund payable*

The quality assurance fund payable is measured at their fair value at inception. The Group is not obligated to pay default loans in the event no funds are available in the quality assurance fund account. Once the investors are paid for a borrower's default, any future principal and interests recovered are contributed into the quality assurance fund account. Subsequent to initial recognition, the quality assurance fund payable are measured at the greater of 1) the amount determined in accordance with IAS 37 and 2) the amount initially recognised (fair value) less, when appropriate, cumulative amortisation of the initial amount recognised in accordance with IFRS 15. The Group's financial guarantee is reflected as the quality assurance fund payable recorded in the consolidated statements of financial position.

#### *Quality assurance fund receivable*

The quality assurance fund receivable is recognized at loan inception for amounts allocated to the guarantee. At each reporting date, the Group estimates the future cash flows and assesses whether

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there is any indicator of impairment to any individual underlying loan of the quality assurance fund receivable. If the carrying amounts of the quality assurance program receivable exceeds the expected collections, an impairment loss is recorded for the quality assurance program receivable not recoverable.

### **Preferred shares**

Preferred shares are redeemable upon occurrence of certain future events and at the option of the holders. This instrument may be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Company or agreed by majority of the holders as detailed in Note 31 of accountant's report.

The Group designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance expenses in the consolidated statements of comprehensive income.

Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognised in the profit or loss.

The preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting year.

A substantial modification of the terms of an existing financial liability of preferred shares or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss on extinguishment is recognised in profit or loss except to the extent that it arises as a result of transactions with shareholders acting in their capacity as shareholders when it is recognised directly in equity. The terms are considered to be 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 at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

### **Application of IFRS**

#### *IFRS 9: Financial Instruments*

The complete version of IFRS 9 — Financial Instruments was issued in July 2014 which replaces the guidance in IAS 39 — Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The key changes to the Group's accounting policies and the expected impact resulting from the adoption of IFRS 9 are described below.

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### *Classification and measurement*

The classification and measurement of financial assets will depend on how the assets are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FV-OCI') or fair value through profit or loss ('FVTPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39.

The IFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a "solely payment of principal and interest" (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as FVTPL. The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity linked pay-outs, are measured at FVTPL. Subsequent measurement of instruments classified as FVTPL under IFRS 9 operates in a similar manner to trading under IAS 39.

For debt instrument financial assets that meet the SPPI test, classification at initial recognition will be determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis will be classified as FVTPL. Debt instruments that are managed on a "hold to collect and for sale" basis will be classified as FV-OCI for debt. Debt instruments that are managed on a "hold to collect" basis will be classified as amortized cost. Subsequent measurement of instruments classified at FV-OCI and amortized cost classifications under IFRS 9 operate in a similar manner to available for sale ("AFS") for debt securities and loans and receivables, respectively, under existing IAS 39, except for the impairment provisions which are discussed below.

For those debt instrument financial assets that would otherwise be classified as FV-OCI or amortized cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All equity instrument financial assets are required to be classified at initial recognition as FVTPL unless an irrevocable designation is made to classify the instrument as FV-OCI for equities. Unlike AFS for equity securities under IAS 39, the FV-OCI for equities category results in all realized and unrealized gains and losses being recognized in OCI with no recycling to profit and loss. Only dividends will continue to be recognized in profit and loss.

The classification and measurement of financial liabilities remain essentially unchanged from the current IAS 39 requirements, except that changes in fair value of liabilities designated at fair value through profit or loss attributable to changes in own credit risk are to be presented in OCI, rather than profit and loss.

Derivatives will continue to be measured at FVTPL under IFRS 9.

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### *Impairment*

The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost or FV-OCI. In addition, the ECL model applies to financial guarantees that are not measured at FVTPL.

### *Expected Credit Loss Methodology*

The application of ECL will change the Group's credit loss methodology and models. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition or when there is objective evidence of impairment.

### **Critical Accounting Judgements and Estimates**

#### **Revenue related to credit facilitation service and ongoing monthly service**

The Group considers the credit facilitation services and ongoing monthly services as distinct performance arrangements. 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 deliverables as the basis for allocation. When estimating the selling prices, the Group considers the cost related to such services, profit margin, customer demand, effect of competition, and other market factors, if applicable.

#### **Quality Assurance Program Payable and Receivable**

The quality assurance program is a protection mechanism offered to investors who subscribe to the loans facilitated on the Group's platform. The quality assurance program contribution rates are determined at loan inception on a loan by loan basis and does not subsequently change over the life of the loan. The determination of the contribution rates is also based on the estimated loss rate of the loans, taking into account the underlying risk profile and historical loss record and other market factors when necessary.

#### **Impairment losses on loans to customers and quality assurance fund receivable**

The Group reviews its loan portfolios and quality assurance fund receivable to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the consolidated statements of comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and quality assurance fund receivable before the decrease can be identified with an individual loan and quality assurance receivable in that portfolio. This evidence may include

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observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the Group. The impairment loss for a loan and quality assurance fund receivable that are individually assessed for impairment is the difference between estimated discounted future cash flows and book value. When loans are collectively assessed for impairment, management uses estimates based on historical loss experience for assets with credit risk characteristics similar to those in the portfolio and objective evidence of impairment. Historical loss experience is adjusted on the basis of the relevant observable data that reflects current economic conditions. The methodology and assumptions used for estimating the amount and timing of future cash flows, the historical loss experience and the relevant observable data that reflects current economic conditions are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### **Fair value of preferred shares**

The Group determines that the transaction price received for the issuance of the preferred shares equals the fair value. Preferred shares are recognized as liability designated at fair value through profit or loss.

The Group uses the income approach as valuation technique to measure fair value of preferred shares. The valuation technique used to measure fair value is applied consistently. However, a change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate.

### **Fair value of financial instruments**

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

### **Recognition of share-based compensation expenses**

The fair values of share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognizes an expense for those share options and RSUs expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and RSUs and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

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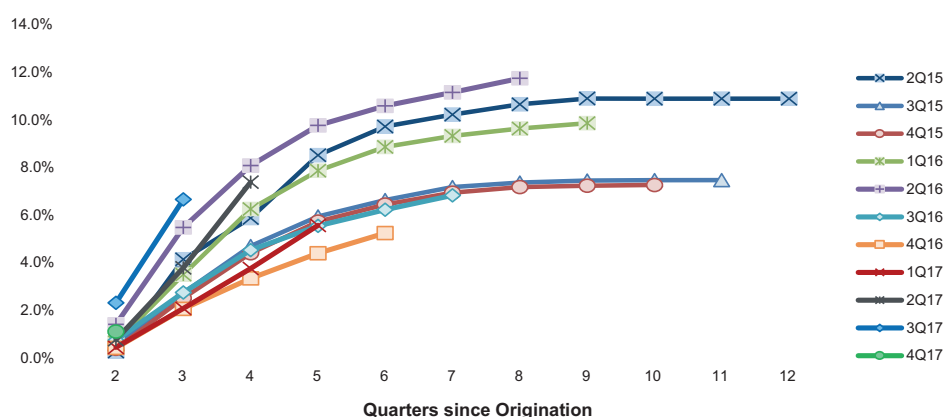
The fair value of share options and RSUs at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

### LOAN PERFORMANCE DATA

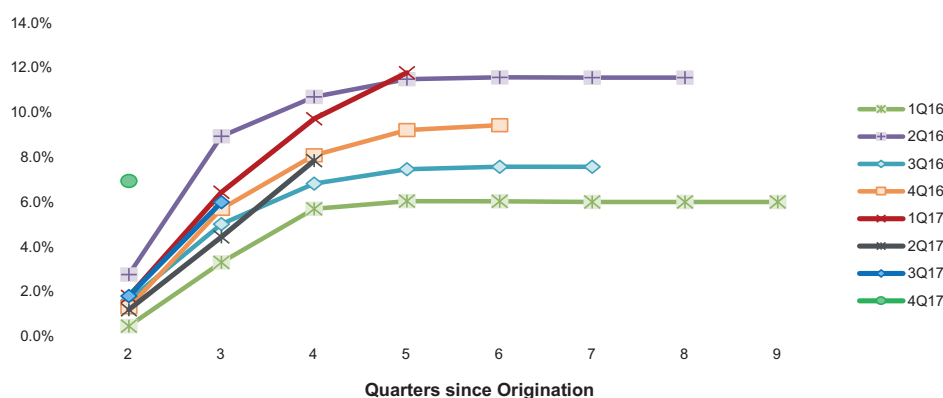
#### Delinquency Rate by Vintage

We refer to loans facilitated during a specified time period as a vintage. We define vintage delinquency rate by vintage as (i) the total amount of principal for all loans in a vintage that become delinquent, less (ii) the total amount of recovered past due principal for all loans in the same vintage, and divided by (iii) the total amount of original principal for all loans in such vintage.

The following chart displays the historical cumulative 90-day plus past due delinquency rates by vintage for loan products serving credit card holders (i.e., 51 Renpin Loan):



The following chart displays the historical cumulative 90-day plus past due delinquency rates by vintage for loan products serving non-credit-card holders:





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During the Track Record Period, we have been continuously improving the performance of our loan products by optimizing our risk management and credit assessment models. For example, for the loan products serving credit card holders, the 90-day plus past due delinquency rates for the loans facilitated in the second quarter of 2015 had the highest delinquency rates because we first started this business in the second quarter of 2015, and then through our operation and accumulated experience, despite some fluctuation for loans facilitated in the first and second quarter of 2016, the 90-day plus past due delinquency rates for the loans facilitated after third quarter of 2016 had all remained at a relatively low level. However, the 90-day plus delinquency rates for our loans serving credit card holders facilitated in 2017 were adversely affected by the volatility in borrower credit performance due to the new regulations adopted in late 2017.

Similarly, for the loan products serving non-credit card holders, the 90-day plus past due delinquency rates for the loans facilitated in the second quarter of 2016 had the highest delinquency rates because these products were launched in early 2016, and the 90-day plus past due delinquency rates for the loans facilitated after third quarter of 2016 had all remained at a relatively low level. However, the 90-day plus delinquency rates for our loans serving non-credit card holders facilitated in 2017 were adversely affected by the volatility in borrower credit performance due to the new regulations adopted in late 2017. In particular, the 90-day plus delinquency rates for our loan products serving non-credit card holders facilitated in the fourth quarter of 2017 was primarily affected by the short-term volatility in borrower credit performance for our short-term small-sized loan products due to the new regulations adopted in late 2017. We ceased offering such short-term small-sized loan products from December 2017.

The general fluctuation of loan performance we witness from time to time is primarily a combined result of our continuous upgrade and development of the credit scoring system, risk-pricing policy and product offerings.

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### RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of comprehensive income for the years ended December 31, 2015, 2016 and 2017, which are derived from, and should be read in conjunction with, our consolidated financial statements, including the notes thereto, included in the “Appendix I — Accountant’s Report” to this prospectus.

|                                                                               | Year ended December 31, |                    |                    |
|-------------------------------------------------------------------------------|-------------------------|--------------------|--------------------|
|                                                                               | 2015                    | 2016               | 2017               |
|                                                                               | (in thousands of RMB)   |                    |                    |
| Credit facilitation and service fee . . . . .                                 | 16,751                  | 384,183            | 1,627,324          |
| Credit card technology service fee . . . . .                                  | 45,005                  | 72,988             | 140,382            |
| Loan referral service fee . . . . .                                           | 26,876                  | 65,376             | 189,327            |
| Other Revenue . . . . .                                                       | 1,095                   | 48,499             | 311,547            |
| <b>Total revenue . . . . .</b>                                                | <b>89,727</b>           | <b>571,046</b>     | <b>2,268,580</b>   |
| Origination and servicing expenses . . . . .                                  | (27,149)                | (148,834)          | (516,904)          |
| Sales and marketing expenses . . . . .                                        | (136,430)               | (182,674)          | (614,406)          |
| General and administrative expenses . . . . .                                 | (39,114)                | (75,379)           | (182,144)          |
| Research and development expenses . . . . .                                   | (42,377)                | (112,415)          | (261,378)          |
| Other gains/(losses), net . . . . .                                           | (10,608)                | 7,924              | 11,931             |
| <b>Total operating expenses . . . . .</b>                                     | <b>(255,678)</b>        | <b>(511,378)</b>   | <b>(1,562,901)</b> |
| <b>Operating (loss)/profit . . . . .</b>                                      | <b>(165,951)</b>        | <b>59,668</b>      | <b>705,679</b>     |
| Share of net losses of associates accounted for using equity method . . . . . | (68)                    | (647)              | (1,465)            |
| Fair value loss of preferred shares . . . . .                                 | (575,439)               | (743,997)          | (2,260,930)        |
| Extinguishment gain/(loss) of preferred shares . . . . .                      | 14,711                  | (1,442,931)        | 242,462            |
| Finance expenses, net . . . . .                                               | (11,772)                | (64,698)           | (47,778)           |
| <b>Loss before income tax . . . . .</b>                                       | <b>(738,519)</b>        | <b>(2,192,605)</b> | <b>(1,362,032)</b> |
| Income tax credit/(expense) . . . . .                                         | 45,216                  | (38,837)           | (16,439)           |
| <b>Loss for the year . . . . .</b>                                            | <b>(693,303)</b>        | <b>(2,231,442)</b> | <b>(1,378,471)</b> |
| <b>Other comprehensive income</b>                                             |                         |                    |                    |
| <i>Items that may not be reclassified to profit or loss</i>                   |                         |                    |                    |
| Currency translation differences . . . . .                                    | (41,586)                | (123,825)          | 98,004             |
| <b>Total comprehensive income for the year, net of tax . . . . .</b>          | <b>(734,889)</b>        | <b>(2,355,267)</b> | <b>(1,280,467)</b> |
| <b>Total comprehensive income attributable to:</b>                            |                         |                    |                    |
| - Owners of the Company . . . . .                                             | (734,889)               | (2,355,267)        | (1,274,250)        |
| - Non-controlling interests . . . . .                                         | —                       | —                  | (6,217)            |
|                                                                               | <u>(734,889)</u>        | <u>(2,355,267)</u> | <u>(1,280,467)</u> |

## FINANCIAL INFORMATION

### KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Revenue

Our revenue includes credit facilitation and service fee, credit card technology service fee, loan referral service fee and other revenue. The following table sets forth the breakdown of our revenue, both in absolute amount and as a percentage of our total revenue, for the periods indicated:

|                                           | Year ended December 31, |               |                |               |                  |               |
|-------------------------------------------|-------------------------|---------------|----------------|---------------|------------------|---------------|
|                                           | 2015                    |               | 2016           |               | 2017             |               |
|                                           | RMB'000                 | %             | RMB'000        | %             | RMB'000          | %             |
| (in thousands except for percentages)     |                         |               |                |               |                  |               |
| Credit facilitation and service fee . . . | 16,751                  | 18.7%         | 384,183        | 67.3%         | 1,627,324        | 71.7%         |
| Credit card technology service fee . . .  | 45,005                  | 50.2%         | 72,988         | 12.8%         | 140,382          | 6.2%          |
| Loan referral service fee . . . . .       | 26,876                  | 30.0%         | 65,376         | 11.4%         | 189,327          | 8.4%          |
| Other revenue . . . . .                   | 1,095                   | 1.1%          | 48,499         | 8.5%          | 311,547          | 13.7%         |
| <b>Total . . . . .</b>                    | <b>89,727</b>           | <b>100.0%</b> | <b>571,046</b> | <b>100.0%</b> | <b>2,268,580</b> | <b>100.0%</b> |

#### *Credit facilitation and service fee*

For each loan facilitated on our platform, we charge a credit facilitation and service fee to the borrower as percentage of the loan principal and allocate such fee between upfront credit facilitation services and post credit facilitation services. Services provided in connection of this fee include matching borrowers with investors, facilitating loan transactions, cash processing service and loan collection. The rate of the service fees varies depending on the type, pricing and term of the underlying loan as well as the loan applicants' credit score assigned by our credit assessment model. For the years ended December 31, 2015, 2016 and 2017, credit facilitation and service fee was RMB16.8 million, RMB384.2 million and RMB1,627.3 million, respectively.

The following table sets forth a breakdown of our credit facilitation and service fee.

|                                                  | Year ended December 31, |                |                  |
|--------------------------------------------------|-------------------------|----------------|------------------|
|                                                  | 2015                    | 2016           | 2017             |
| (in thousands of RMB)                            |                         |                |                  |
| Upfront credit facilitation service fee. . . . . | 13,430                  | 296,927        | 944,058          |
| Post credit facilitation service fee . . . . .   | 3,321                   | 87,256         | 683,266          |
|                                                  | <b>16,751</b>           | <b>384,183</b> | <b>1,627,324</b> |

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We recognize upfront credit facilitation service fee at the inception of the loan and post credit facilitation service fee over the loan period. Post credit facilitation service fees are the portion of transaction fees charged to borrowers in relation to services we provide after loan origination and are recognized ratably over the term of the loan. The post credit facilitation service fee increased significantly during the Track Record Period because (i) our online credit facilitation service business grew rapidly starting from 2016, and a portion of the service fees generated from our loan products facilitated in 2016 are recognized as post credit facilitation service fee in 2017 and (ii) our online credit facilitation service business continued to experience rapid growth in 2017 and we recognized an increasing amount of upfront credit facilitation service and post credit facilitation service fee in 2017.

### *Credit card technology service fee*

Credit card technology service fee represents (i) credit card application referral fees and (ii) interest income from co-branding credit cards. We charge our partner banks for the service of credit card application referral, which is based mainly on the number of credit cards successfully issued to our users. Since April 2017, we have developed in-depth cooperation with banks in the areas of data application, credit analytics and risk profiling to offer our co-branding credit cards. We share interest income generated from our co-branding credit cards based on the contractual terms with cooperating banks for a number of years. For the years ended December 31, 2015, 2016 and 2017, the credit card technology service fee was RMB45.0 million, RMB73.0 million and RMB140.4 million, respectively.

### *Loan referral service fee*

We introduce loan products of external online lending platforms to borrowers on our own platforms. Through one click on our Apps, borrowers can easily apply for these external loan products. Upon successful referral of loans, we charge third party platforms loan referral service fee, which is largely based on the size of loans referred by us. In addition, sometimes the loan referral service fee is also charged based on the number of clicks or applications by users of our platform.

For the years ended December 31, 2015, 2016 and 2017, loan referral service fee was RMB26.9 million, RMB65.4 million and RMB189.3 million, respectively.

### *Other revenue*

Other revenue consists primarily of (i) interest income of loans to customers through our micro loan subsidiary and trust funding and (ii) overdue charges and others. For the years ended December 31, 2015, 2016 and 2017, other revenue was RMB1.1 million, RMB48.5 million and RMB311.5 million, respectively.

## FINANCIAL INFORMATION

### Operating Expenses

Our operating expenses consist of origination and servicing expenses, sales and marketing expenses, general and administrative expenses, research and development expenses and other gains/(losses), net. The following table sets forth a breakdown of our operating expenses, both in absolute amount and as a percentage of our total operating expenses, for the periods presented.

| Year ended December 31,                       |                         |                      |                         |                      |                           |                      |
|-----------------------------------------------|-------------------------|----------------------|-------------------------|----------------------|---------------------------|----------------------|
| 2015                                          |                         | 2016                 |                         | 2017                 |                           |                      |
| RMB                                           | %                       | RMB                  | %                       | RMB                  | %                         |                      |
| (in thousands except for percentages)         |                         |                      |                         |                      |                           |                      |
| <b>Operating Expenses</b>                     |                         |                      |                         |                      |                           |                      |
| Origination and servicing expenses . . . . .  | (27,149)                | 10.6%                | (148,834)               | 29.1%                | (516,904)                 | 33.1%                |
| Sales and marketing expenses . .              | (136,430)               | 53.4%                | (182,674)               | 35.7%                | (614,406)                 | 39.3%                |
| General and administrative expenses . . . . . | (39,114)                | 15.3%                | (75,379)                | 14.7%                | (182,144)                 | 11.7%                |
| Research and development expenses . . . . .   | (42,377)                | 16.6%                | (112,415)               | 22.0%                | (261,378)                 | 16.7%                |
| Other gains/(losses), net . . . . .           | (10,608)                | 4.1%                 | 7,924                   | (1.5%)               | 11,931                    | (0.8%)               |
| <b>Total . . . . .</b>                        | <b><u>(255,678)</u></b> | <b><u>100.0%</u></b> | <b><u>(511,378)</u></b> | <b><u>100.0%</u></b> | <b><u>(1,562,901)</u></b> | <b><u>100.0%</u></b> |

### *Origination and servicing expenses*

Origination and servicing expenses are expenses associated with credit facilitation services and loan referral services. Specifically, they primarily include (i) fund transfer charges paid to external payment service providers, (ii) employee benefit expenses for employees working on credit assessment, data processing and analysis, loan facilitation service, customer service and loan collection, (iii) external technical service fee incurred in connection with data acquisition from third party data providers for credit assessment and with third party loan collection services, and (iv) referral fees paid to third parties for loan facilitation.

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The following table sets forth a breakdown of our origination and servicing expenses for the periods indicated:

|                                          | Year ended December 31, |                       |                       |
|------------------------------------------|-------------------------|-----------------------|-----------------------|
|                                          | 2015                    | 2016                  | 2017                  |
|                                          | (in thousands of RMB)   |                       |                       |
| Fund transfer charges . . . . .          | 7,200                   | 71,224                | 169,247               |
| Employee benefit expenses . . . . .      | 10,271                  | 43,684                | 117,546               |
| External technical service fee . . . . . | 3,544                   | 10,604                | 94,837                |
| Loan referral service expenses . . . . . | —                       | 3,492                 | 89,412                |
| Depreciation and amortization . . . . .  | 1,843                   | 6,791                 | 19,765                |
| Office expenses . . . . .                | 1,772                   | 3,655                 | 9,636                 |
| Others . . . . .                         | 2,519                   | 9,384                 | 16,461                |
| <b>Total . . . . .</b>                   | <b><u>27,149</u></b>    | <b><u>148,834</u></b> | <b><u>516,904</u></b> |

### *Sales and marketing expenses*

Sales and marketing expenses consist primarily of (i) marketing and advertising costs in connection with user acquisition and brand promotion, and (ii) employee benefit expenses with respect to our sales personnel . For the years ended December 31, 2015, 2016 and 2017, sales and marketing expenses were RMB136.4 million, RMB182.7 million and RMB614.4 million, respectively.

The following table sets forth our sales and marketing expenses for the periods indicated:

|                                          | Year ended December 31, |                       |                       |
|------------------------------------------|-------------------------|-----------------------|-----------------------|
|                                          | 2015                    | 2016                  | 2017                  |
|                                          | (in thousands of RMB)   |                       |                       |
| Marketing and advertising fees . . . . . | 130,782                 | 169,843               | 598,211               |
| Employee benefit expenses . . . . .      | 4,658                   | 10,829                | 13,713                |
| Office expenses . . . . .                | 626                     | 891                   | 1,168                 |
| Depreciation and amortization . . . . .  | 86                      | 362                   | 440                   |
| Others . . . . .                         | 278                     | 749                   | 874                   |
| <b>Total . . . . .</b>                   | <b><u>136,430</u></b>   | <b><u>182,674</u></b> | <b><u>614,406</u></b> |

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### *General and administrative expenses*

General and administrative expenses consist primarily of (i) employee benefit expenses with respect to administrative staff, (ii) professional service fee, (iii) external technical service fee paid to third parties, (iv) office expenses, (v) depreciation and amortization, and (vi) others.

The following table sets forth our general and administrative expenses for the periods indicated:

|                                         | Year ended December 31, |                      |                       |
|-----------------------------------------|-------------------------|----------------------|-----------------------|
|                                         | 2015                    | 2016                 | 2017                  |
|                                         | (in thousands of RMB)   |                      |                       |
| Employee benefit expenses . . . . .     | 29,012                  | 46,345               | 102,501               |
| Professional service fee . . . . .      | 2,689                   | 3,872                | 32,474                |
| External technical service fee. . . . . | 2,441                   | 2,764                | 8,649                 |
| Office expenses . . . . .               | 985                     | 1,042                | 2,924                 |
| Depreciation and amortization . . . . . | 223                     | 1,001                | 2,722                 |
| Others . . . . .                        | 3,764                   | 20,355               | 32,874                |
| <b>Total . . . . .</b>                  | <b><u>39,114</u></b>    | <b><u>75,379</u></b> | <b><u>182,144</u></b> |

For the years ended December 31, 2015, 2016 and 2017, general and administrative expenses were RMB39.1 million, RMB75.4 million and RMB182.1 million, respectively.

### *Research and development expenses*

Research and development expenses consist primarily of payroll costs with respect to personnel of research and development department and expenses in connection to research and development activities including purchase of technology equipment and expansion and upgrade of our IT infrastructure.

For the years ended December 31, 2015, 2016 and 2017, research and development expenses were RMB42.4 million, RMB112.4 million and RMB261.4 million, respectively.



## FINANCIAL INFORMATION

### *Other gains/(losses), net*

Other gains/(losses), net mainly consist of (i) fair value gain on financial assets/liabilities designated at fair value through profit or loss, (ii) fair value loss on forward foreign exchange contracts, (iii) quality assurance fund loss (net), (iv) government grants, (v) interest expenses to trust senior tranche holders, (vi) impairment loss, and (vii) others. The following table sets forth the breakdown of other gain/(losses), net for the periods presented.

|                                                                                               | Year ended December 31, |              |               |
|-----------------------------------------------------------------------------------------------|-------------------------|--------------|---------------|
|                                                                                               | 2015                    | 2016         | 2017          |
|                                                                                               | (in thousands of RMB)   |              |               |
| <b>Other gains/(losses), net</b>                                                              |                         |              |               |
| Fair value gain on financial assets designated at fair value through profit or loss . . . . . | 59                      | 5,283        | 191,706       |
| Gain on disposal of investments . . . . .                                                     | —                       | 28,686       | 260           |
| Fair value loss on forward foreign exchange contracts . . . . .                               | —                       | (4,627)      | (13,083)      |
| Quality assurance fund loss, net . . . . .                                                    | (11,040)                | (8,241)      | (36,585)      |
| Government grants . . . . .                                                                   | 1,440                   | 20           | 15,253        |
| Interest expenses to trust senior tranche holders . . . . .                                   | —                       | (6,312)      | (43,993)      |
| Impairment loss . . . . .                                                                     | (972)                   | (4,801)      | (97,442)      |
| Others . . . . .                                                                              | (95)                    | (2,084)      | (4,185)       |
| <b>Total . . . . .</b>                                                                        | <b>(10,608)</b>         | <b>7,924</b> | <b>11,931</b> |

For the years ended December 31, 2015, our other losses, net were RMB10.6 million, for the year ended December 31, 2016 and 2017 our other gains, net were RMB7.9 million and RMB11.9 million, respectively.

### *Fair value gain on financial assets designated at fair value through profit or loss*

Fair value gain on financial assets designated at fair value through profit or loss represents the fair value gain from our investment in companies across the industry value chain. For the years ended December 31, 2015, 2016 and 2017, the fair value gain on financial assets designated at fair value through profit or loss were RMB59,000, RMB5.3 million and RMB191.7 million, respectively.

### *Gain on disposals of investments*

Gain on disposals of investments represents the investment income from our disposal of minority equity interest in portfolio companies. For the year ended December 31, 2015, 2016 and 2017, gain on disposals of investments were nil, RMB28.7 million and RMB260,000, respectively.

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### *Quality assurance fund loss, net*

Our borrowers are required to contribute to a certain percentage of the original principal balance of the loan to a custody account under our investor protection mechanism, which we refer to as our quality assurance fund. The quality assurance fund provides make-up payments to an investor when a borrower fails to satisfy his interest or principal repayment obligations, up to the available balance of the quality assurance fund. The quality assurance fund contribution rates are determined based on the estimated loss rate of the loans, taking into account the underlying risk profile of the borrower and historical loss record. The total amount of contributions by the borrowers to the quality assurance fund (receivable in stages when the borrowers repaid the loan by installment) are initially booked as quality assurance fund receivable at fair value. When a borrower defaults, the balance of the quality assurance fund receivable related to this loan is deemed not recoverable, and as a result, a quality assurance fund loss is recorded. If the borrower subsequently repays the loan, a portion of his repayment related to quality assurance fund will be recorded as quality assurance fund gain.

For the years ended December 31, 2015, 2016 and 2017, quality assurance fund loss, net was RMB11.0 million, RMB8.2 million and RMB36.6 million, respectively. Such quality assurance fund loss, net did not have any impact on the cash flows of our Group.

### *Impairment loss*

Impairment loss consists primarily of impairment loss from loans to customers by our micro loan subsidiary and trust funding, contract assets and trade receivables. Our contract assets represent the difference between cash received and our credit facilitation service fee.

For the years ended December 31, 2015, 2016 and 2017, impairment loss was RMB972,000, RMB4.8 million and RMB97.4 million, respectively.

### *Government grants*

Government grants represent the subsidies granted by government authorities to us. For the year ended December 31, 2015, 2016 and 2017, government grants were RMB1.4 million, RMB20,000 and RMB15.3 million, respectively.

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

Share of net losses of associates accounted for using equity method represents our share of losses from our minority equity interest in portfolio companies.

For the years ended December 31, 2015, 2016 and 2017, share of net losses of associates accounted for using equity method was RMB68,000, RMB647,000 and RMB1.5 million, respectively.

### *Fair value loss of preferred shares*

Fair value loss of Preferred Shares represents negative changes in fair value of the Preferred Shares issued by us, and is the difference between ending and beginning balances of our Preferred

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Shares on our consolidated statements of financial position. We used the discounted cash flow method to determine the underlying share value of our Group and adopted the equity allocation method to determine the fair value of our Preferred Shares as of the dates of issuance and at the end of each reporting period.

For the years ended December 31, 2015, 2016 and 2017, fair value loss of preferred shares was RMB575.4 million, RMB744.0 million and RMB2,260.9 million, respectively.

### *Extinguishment gain/(loss) of preferred shares*

A substantial modification of the terms of an existing financial liability of preferred shares or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Our extinguishment gain/(loss) of preferred shares represents the net of gain upon extinguishment of preferred shares and loss upon redemption of preferred shares. During the Track Record Period, we incurred extinguishment gain/(loss) of preferred shares primarily in connection with our corporate reorganization.

For the years ended December 31, 2015, 2016 and 2017, extinguishment gain/(loss) of preferred shares was a gain of RMB14.7 million, a loss of RMB1,442.9 million and a gain of RMB242.5 million, respectively.

### *Finance expenses, net*

Financing expenses, net consist primarily of (i) net exchange gains, (ii) interest income on bank deposits, (iii) bank charges, (iv) interest expenses of borrowings and (v) financing expenses of preferred shares.

For the years ended December 31, 2015, 2016 and 2017, financing expenses, net were RMB11.8 million, RMB64.7 million and RMB47.8 million, respectively.

### *Currency translation differences*

Currency translation differences arise from the translation of the financial statements of companies within our Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

The currency translation losses amounted to RMB41.6 million and RMB123.8 million for the years ended December 31, 2015 and 2016, respectively, and the currency translation gain amounted to RMB98.0 million for the year ended December 31, 2017.

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### **Taxation**

#### ***Cayman Islands***

We are incorporated in the Cayman Islands. Under the current tax laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no withholding tax will be imposed to dividends distributed by the Company to its Shareholders.

#### ***British Virgin Islands***

The Group's entities incorporated in the British Virgin Islands are not subject to tax on income or capital gains.

#### ***Hong Kong***

Our subsidiaries incorporated in Hong Kong are subject to Hong Kong profit tax at a rate of 16.5%.

#### ***China***

Generally, our PRC subsidiaries, variable interest entities and their respective subsidiaries, which are considered as PRC resident enterprises under PRC tax law, 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%. Hangzhou Enniu is qualified as 'Software Enterprise' under the EIT Law in 2017 and hence, is entitled to a two-year EIT exemption in 2016 and 2017 followed by a three-year 50% enterprise income tax rate reduction from 2018 to 2020. A "high and new technology enterprise" is entitled to a favorable statutory tax rate of 15% and such qualification is reassessed by relevant governmental authorities every year. Each of Beijing Dingli Chuangshi Technology Co., Ltd. and Hangzhou Yiniu Network Technology Co., Ltd., qualified as a "high and new technology enterprise" in 2017 and therefore is subject to 15% statutory income tax rate since 2017. Shanghai Jingjia Network Technology Co., Ltd. was qualified as "Small Low-profit Enterprises" under the EIT Law and was entitled to a preferential income tax rate of 10% from January 1, 2015 to December 31, 2016.

We are subject to value added tax, or VAT, at a rate of 6% on the services we provide, 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 May 2012 to replace the business tax that was previously applicable to the services we provide. During the Track Record Period, we were not subject to business tax on the services we provided.

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

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with respect to Taxes on Income and Capital and receives approval from the relevant tax authority. If our Hong Kong subsidiary satisfies all these requirements and receives this approval, 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—We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.”

### NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit/(loss) and adjusted operating profit/(loss) as additional financial measures. We present these financial measures because they are used by our management to evaluate our operating performance. We also believe that these financial measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

#### *Adjusted net profit/(loss)*

We define adjusted net profit/(loss) as net profit or loss excluding share-based compensation expenses, fair value loss of preferred shares, extinguishment gain/(loss) of preferred shares, finance expenses related to our preferred shares and listing expenses. Adjusted net profit/(loss) eliminates the effect of non-cash share-based compensation which has been and may continue to be recurring factors in our business.

#### *Adjusted operating profit/(loss)*

We define adjusted operating profit/(loss) as operating profit or loss excluding share-based compensation and listing expenses. Adjusted operating profit/(loss) eliminates the effect of non-cash share-based compensation which has been and may continue to be recurring factors in our business.

The use of adjusted net profit/(loss) and adjusted operating profit/(loss) has material limitations as an analytical tool, as adjusted net profit/(loss) and adjusted operating profit/(loss) do not include all items that impact our net profit or loss or operating profit or loss for the period.

#### *Calculation of non-IFRS measures*

We compensate for the limitations of the non-IFRS measures by reconciling the non-IFRS financial measures to the nearest IFRS performance measure, all of which should be considered when

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evaluating our performance. The following table reconciles our adjusted net profit/(loss) and adjusted operating profit/(loss) in the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net profit/(loss) and operating profit/(loss), respectively:

|                                                      | Year ended December 31, |               |                |
|------------------------------------------------------|-------------------------|---------------|----------------|
|                                                      | 2015                    | 2016          | 2017           |
|                                                      | (in thousands of RMB)   |               |                |
| <b>Adjusted operating (loss)/profit</b>              |                         |               |                |
| Operating (loss)/profit . . . . .                    | (165,951)               | 59,668        | 705,679        |
| Adjusted for:                                        |                         |               |                |
| Share-based compensation expenses . . . . .          | 18,373                  | 26,897        | 56,594         |
| Listing expenses . . . . .                           | —                       | —             | 14,905         |
| <b>Adjusted operating (loss)/profit . . . . .</b>    | <b>(147,578)</b>        | <b>86,565</b> | <b>777,178</b> |
| <b>Adjusted net (loss)/profit</b>                    |                         |               |                |
| Net profit/(loss) . . . . .                          | (693,303)               | (2,231,442)   | (1,378,471)    |
| Adjusted for:                                        |                         |               |                |
| Share-based compensation expenses . . . . .          | 18,373                  | 26,897        | 56,594         |
| Fair value loss of preferred shares . . . . .        | 575,439                 | 743,997       | 2,260,930      |
| Extinguishment gain/(loss) of preferred shares . .   | (14,711)                | 1,442,931     | (242,462)      |
| Finance expenses related to preferred shares . . . . | 12,974                  | 71,079        | 32,351         |
| Listing expenses . . . . .                           | —                       | —             | 14,905         |
| <b>Adjusted net (loss)/profit . . . . .</b>          | <b>(101,228)</b>        | <b>53,462</b> | <b>743,847</b> |

In light of the foregoing limitations for non-IFRS measures, when assessing our operating and financial performance, you should not consider adjusted net profit/(loss) and adjusted operating profit/(loss) in isolation or as a substitute for our net profit/(loss), operating profit/(loss) or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to similar titled measures used by other companies.

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

##### *Total Revenue*

Our total revenue increased by 297.3% from RMB571.0 million for the year ended December 31, 2016 to RMB2,268.6 million for the year ended December 31, 2017, primarily attributable to the substantial increases in credit facilitation and service fee, credit card technology service fee, loan referral service fee and other revenue.

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### *Credit facilitation and service fee*

Our credit facilitation and service fee increased by 323.6% from RMB384.2 million for the year ended December 31, 2016 to RMB1,627.3 million for the year ended December 31, 2017. In particular, our upfront credit facilitation service fee increased from RMB296.9 million in 2016 to RMB944.1 million in 2017 and our post credit facilitation service fee increased from RMB87.3 million in 2016 to RMB683.3 million in 2017. Such growth was mainly driven by the substantial increase in our loan facilitation volume, which increased from RMB10,299.3 million in 2016 to RMB33,890.6 million in 2017.

### *Credit card technology service fee*

Our credit card technology service fee increased by 92.3% from RMB73.0 million for the year ended December 31, 2016 to RMB140.4 million for the year ended December 31, 2017, primarily due to the increase in the number of credit cards issued to our users through us in 2017, which increased from 1.2 million in 2016 to 2.1 million in 2017.

### *Loan referral service fee*

Our loan referral service fee increased by 189.6% from RMB65.4 million for the year ended December 31, 2016 to RMB189.3 million for the year ended December 31, 2017, primarily attributable to the substantial increase in the total volume of loans we referred to third-party business partners. In addition, we also increased the average referral fee rate we charged our third-party business partners.

### *Other revenue*

Other revenue increased by 542.4% from RMB48.5 million for the year ended December 31, 2016 to RMB311.5 million for the year ended December 31, 2017, primarily due to increases in (i) interest income of loans to customers and (ii) overdue charges and others. Interest income of loans to customers increased from RMB27.7 million for the year ended December 31, 2016 to RMB227.4 million for year ended December 31, 2017, mainly because of the substantial increase in the volume of loans we facilitated through trust funding. Overdue charges and others increased from RMB20.8 million for the year ended December 31, 2016 to RMB84.1 million for year ended December 31, 2017, mainly as a result of the substantial increase in the total volume of loans we facilitated through our platform.

## ***Operating Expenses***

Our operating expenses increased by 205.6% from RMB511.4 million for the year ended December 31, 2016 to RMB1,562.9 million for the year ended December 31, 2017.

### *Origination and servicing expenses*

Origination and servicing expenses increased by 247.3% from RMB148.8 million for the year ended December 31, 2016 to RMB516.9 million for the year ended December 31, 2017, primarily due (i) the increase in fund transfer charges from RMB71.2 million in 2016 to RMB169.2 million in 2017



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as a result of the increased credit card repayment facilitation volume and loan facilitation volume, (ii) the increase in employee benefit expenses from RMB43.7 million in 2016 to RMB117.5 million in 2017 as a result of increased headcount and increase in employee's salary level, (iii) the increase in external technical service fee from RMB10.6 million in 2016 to RMB94.8 million in 2017 as a result of the increased demand for third party data services for the credit assessment of our borrowers and third party loan collection services and (iv) the increase in referral fees from RMB3.5 million in 2016 to RMB89.4 million in 2017 as a result of the increased loan referral volume from third parties.

### *Sales and marketing expenses*

Sales and marketing expenses increased by 236.3% from RMB182.7 million for the year ended December 31, 2016 to RMB614.4 million for the year ended December 31, 2017. The increase was primarily due to an increase in marketing and advertising fees from RMB169.8 million in 2016 to RMB598.2 million in 2017 as a result of our increased expenses associated with online user acquisition efforts, including fees paid to an expanding number of internet marketing channels.

### *General and administrative expenses*

General and administrative expenses increased by 141.6% from RMB75.4 million for the year ended December 31, 2016 to RMB182.1 million for the year ended December 31, 2017. This increase was primarily due to the increase in employee benefit expenses.

### *Research and development expenses*

Research and development expenses increased by 132.5% from RMB112.4 million for the year ended December 31, 2016 to RMB261.4 million for the year ended December 31, 2017, primarily due to an increase of RMB136.1 million in employee benefit expense as a result of the headcount increase for our research and development team to strengthen our technology capabilities.

### *Other gains, net*

Our other gains, net increased from RMB7.9 million in 2016 to RMB11.9 million in 2017 primarily due to the increase in fair value gain on financial assets designated at fair value through profit or loss from our investment activities.

### *Operating profit*

As a result of the foregoing, we recorded an operating profit of RMB59.7 million for the year ended December 31, 2016 and an operating profit of RMB705.7 million for the year ended December 31, 2017.

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

Share of net losses of associates accounted for using equity method increased by 126.4% from RMB0.6 million for the year ended December 31, 2016 to RMB1.5 million for the year ended December 31, 2017.

### *Fair value loss of preferred shares*

Fair value loss of preferred shares increased by 203.9% from RMB744.0 million for the year ended December 31, 2016 to RMB2,260.9 million for the year ended December 31, 2017.

### *Extinguishment gain/(loss) of preferred shares*

We recorded an extinguishment gain of preferred shares of RMB242.5 million in 2017, as compared to an extinguishment loss of preferred shares of RMB1,442.9 million in 2016, mainly because we redeemed preferred shares in connection with our corporate reorganization.

### *Finance expenses, net*

Our finance expenses, net decreased significantly from RMB64.7 million in 2016 to RMB47.8 million in 2017 primarily due to the decrease in the financing expenses of preferred shares.

### *Income tax expense*

We recorded an income tax expense of RMB16.4 million in 2017, as compared to an income tax expense of RMB38.8 million in 2016.

### *Loss for the year*

As a result of the foregoing, our loss for the year was RMB2,231.4 million for the year ended December 31, 2016 and our loss for the year was RMB1,378.5 million for the year ended December 31, 2017.

### *Adjusted net profit*

Our adjusted net profit increased from RMB53.5 million in 2016 to RMB743.8 million in 2017.

### *Adjusted operating profit/(loss)*

Our adjusted operating profit increased from a loss of RMB86.6 million in 2016 to RMB777.2 million in 2017.

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### Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

#### *Total Revenue*

Our total revenue increased by 536.4% from RMB89.7 million for the year ended December 31, 2015 to RMB571.0 million for the year ended December 31, 2016.

#### *Credit facilitation and service fee*

Our credit facilitation and service fee increased by 2,193.5% from RMB16.8 million for the year ended December 31, 2015 to RMB384.2 million for the year ended December 31, 2016. In particular, our upfront credit facilitation service fee increased from RMB13.4 million in 2015 to RMB296.9 million in 2016 and our post credit facilitation service fee increased from RMB 3.3 million in 2015 to RMB87.3 million in 2016. Such growth was mainly driven by the substantial increase in our total loan facilitation volume from RMB815.3 million in 2015 to RMB10,299.3 million in 2016. We commenced credit facilitation service in the middle of 2015 and it had undergone significant growth in 2016 and represented 67.3% of our total revenue in 2016.

#### *Credit card technology service fee*

Our credit card technology service fee increased by 62.2% from RMB45.0 million for the year ended December 31, 2015 to RMB73.0 million for the year ended December 31, 2016, primarily due to the increase in the number of credit cards issued to our users through us in 2016 which increased from 0.5 million in 2015 to 1.2 million in 2016.

#### *Loan referral service fee*

Our loan referral service fees increased by 143.3% from RMB26.9 million for the year ended December 31, 2015 to RMB65.4 million for the year ended December 31, 2016, primarily attributable to the substantial increase in total volume of loans we referred to third-party business partners as a result of our rapidly expanding user base. In addition, we also increased the average referral fee rate we charged our third-party business partners.

#### *Other revenue*

Other revenue increased significantly from RMB1.1 million for the year ended December 31, 2015 to RMB48.5 million for the year ended December 31, 2016, due to increases in (i) interest income of loans to customers and (ii) overdue charges and others. Interest income of loans to customers increased from nil in 2015 to RMB27.7 million in 2016, primarily because starting in 2016, we derived interests income on loans to customers originated through trust funding. Overdue charges and others increased from RMB1.1 million for the year ended December 31, 2015 to RMB20.8 million for the year ended December 31, 2016, mainly as a result of a substantial increase in the total loan facilitation volume through our platform.

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### *Operating expenses*

Our operating expenses increased by 100.0% from RMB255.7 million for the year ended December 31, 2015 to RMB511.4 million for the year ended December 31, 2016.

### *Origination and servicing expenses*

Origination and servicing expenses increased by 448.2% from RMB27.1 million for the year ended December 31, 2015 to RMB148.8 million for the year ended December 31, 2016, primarily due to the increase (i) the increase in fund transfer charges from RMB7.2 million in 2015 to RMB71.2 million in 2016 as a result of the increased credit card repayment facilitation volume and loan facilitation volume, (ii) the increase in employee benefit expenses from RMB10.2 million in 2015 to RMB43.7 million in 2016 as a result of increased headcount and increase in employee's salary level and (iii) the increase in external technical service fee from RMB3.5 million in 2015 to RMB10.6 million in 2016 as a result of the increased demand for third party data services for the credit assessment of our borrowers and third party loan collection services.

### *Sales and marketing expenses*

Sales and marketing expenses increased by 33.9% from RMB136.4 million for the year ended December 31, 2015 to RMB182.7 million for the year ended December 31, 2016. The increase was primarily due to the increased expenses associated with online user acquisition efforts, including fees paid to internet marketing channels such as App stores, search engines and social media channels.

### *General and administrative expenses*

General and administrative expenses increased by 92.7% from RMB39.1 million for the year ended December 31, 2015 to RMB75.4 million for the year ended December 31, 2016, primarily due to an increase of RMB17.3 million in payroll and related expenses as a result of an increase in the headcount of general and administrative personnel and an increase in the salary and benefit level for the employees. To a lesser extent, due to our growing scale of business, the increase was attributable to the increase in daily operational fees, consulting fees, and fund transfer fee unrelated to facilitation services.

### *Research and development expenses*

Research and development expenses increased by 165.3% from RMB42.4 million for the year ended December 31, 2015 to RMB112.4 million for the year ended December 31, 2016, primarily due to an increase in payroll costs relating to research and development activities from RMB37.5 million in 2015 to RMB101.2 million in 2016 as the number of our research and development personnel increased for our research and development team to strengthen our technology capabilities.

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### *Other gains/(losses), net*

Our other gains/(losses) (net) changed from a loss of RMB10.6 million in 2015 to a gain of RMB7.9 million in 2016 primarily due to increase in gain on disposal of investments, resulting from our sale of equity interests in Smart Finance Technology Limited in 2016.

### *Operating profit/(loss)*

As a result of the foregoing, we recorded an operating profit of RMB59.7 million in 2016, as compared to a operating loss of RMB166.0 million in 2015.

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

Share of net losses of associates accounted for using equity method increased from RMB68,000 for the year ended December 31, 2015 to RMB647,000 for the year ended December 31, 2016.

### *Fair value loss of preferred shares*

Fair value loss of preferred shares increased by 29.3% from RMB575.4 million for the year ended December 31, 2015 to RMB744.0 million for the year ended December 31, 2016.

### *Extinguishment gain/(loss) of preferred shares*

We recorded an extinguishment loss of preferred shares of RMB1,442.9 million in 2016, as compared to an extinguishment gain of preferred shares of RMB14.7 million in 2015, mainly resulting from the Group reorganization we conducted in 2016.

### *Finance expenses, net*

Our finance expenses, net increased significantly from RMB11.8 million in 2015 to RMB64.7 million in 2016 mainly associated with finance expenses of preferred shares we incurred as a result of the Group reorganization we conducted in 2016.

### *Income tax credit/(expense)*

We recorded an income tax expense of RMB38.8 million in 2016, as compared to an income tax credit of RMB45.2 million in 2015.

### *Loss for the year*

As a result of the foregoing, our loss for the year increased by 221.9% from RMB693.3 million for the year ended December 31, 2015 to RMB2,231.4 million for the year ended December 31, 2016.

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### *Adjusted net profit/(loss)*

Our adjusted net profit/(loss) changed from a net loss of RMB101.2 million in 2015 to a net profit of RMB53.5 million in 2016.

### *Adjusted operating profit/(loss)*

Our adjusted operating profit/(loss) increased from a net loss of RMB147.6 million in 2015 to a gain of RMB86.6 million in 2016.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

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

|                                                                           | Year ended December 31, |                  |                  |
|---------------------------------------------------------------------------|-------------------------|------------------|------------------|
|                                                                           | 2015                    | 2016             | 2017             |
|                                                                           | (in thousands of RMB)   |                  |                  |
| Net cash used in operating activities . . . . .                           | (138,485)               | (34,376)         | (31,034)         |
| Net cash used in investing activities . . . . .                           | (38,052)                | (247,330)        | (1,265,943)      |
| Net cash generated from financing activities . . . . .                    | 447,425                 | 2,092,330        | 478,075          |
| Effect of exchange rate changes on cash and cash<br>equivalents . . . . . | 4,223                   | 6,704            | (26,732)         |
| Net increase/(decrease) in cash and cash equivalents . . .                | 275,111                 | 1,817,328        | (845,634)        |
| Cash and cash equivalents at beginning of year . . . . .                  | 11,641                  | 286,752          | 2,104,080        |
| Cash and cash equivalents at end of year . . . . .                        | <u>286,752</u>          | <u>2,104,080</u> | <u>1,258,446</u> |

### *Net cash used in operating activities*

We generate cash from operating activities primarily from credit facilitation and service fee, credit card technology service fee and loan referral service fee.

For 2017, we had net cash used in operating activities of RMB31.0 million, which was primarily attributable to (i) loss for the year of RMB1,378.5 million, (ii) adjustments for non-cash items and non-operating items of RMB2,059.9 million, mainly including fair value loss of preferred shares of RMB2,260.9 million and gain on disposals of investments of RMB0.3 million, and (iii) negative net working capital adjustments of RMB712.5 million. Our negative net working capital adjustments primarily consisted of (i) an increase of RMB847.6 million in loan to customers, (ii) an increase in contract asset and trade receivable of RMB47.7 million, (iii) an increase in prepayments and other receivables of RMB212.6 million, and (iv) an increase in taxes payables of RMB140.6 million.

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For 2016, we had net cash used in operating activities of RMB34.4 million, which was primarily attributable to (i) loss for the year of RMB2,231.4 million, (ii) adjustments for non-cash items and non-operating items of RMB2,244.5 million, mainly including fair value loss of preferred shares of RMB744.0 million and gain on disposals of investments of RMB28.7 million, and (iii) negative net working capital adjustments of RMB47.5 million. Our negative net working capital adjustments primarily consisted of (i) an increase of RMB203.1 million in loan to customer, (ii) an increase in contract asset and trade receivable of RMB6.0 million, (iii) an increase in prepayments and other receivables of RMB37.5 million, and (iv) an increase in taxes payables of RMB13.0 million.

For 2015, we had net cash used in operating activities of RMB138.5 million, which was primarily attributable to (i) loss for the year of RMB693.3 million, (ii) adjustments for non-cash items and non-operating items of RMB576.1 million, mainly including fair value loss of preferred shares of RMB575.4 million and (iii) negative net working capital adjustments of RMB21.3 million. Our negative net working capital adjustments primarily consisted of (i) a increase in contract asset and trade receivable of RMB30.9 million, and (ii) an increase in prepayments and other receivables of RMB17.5 million.

### *Net cash used in investing activities*

Our net cash used in investing activities were primarily for investments in wealth management products, purchases of property and equipment, acquisition of subsidiaries and other business entities, and increase in restricted cash in acquisition of subsidiaries, which is partially offset by proceeds received from disposal of wealth management products.

For 2017, we had net cash used in investing activities of RMB1,265.9 million, which was primarily attributable to (i) investments in wealth management products of RMB6,332.5 million, (ii) purchases of property and equipment of RMB238.6 million in connection with our purchase of our office building, (iii) acquisition of subsidiaries and other business entities of RMB137.9 million and (iv) increase in restricted cash in acquisition of subsidiaries of RMB417.5 million, partially offset by (i) proceeds from disposal of wealth management products of RMB6,087.2 million, and (ii) a decrease in restricted cash in forward foreign exchange contracts of RMB110.2 million.

For 2016, we had net cash used in investing activities of RMB247.3 million, which was primarily attributable to (i) investments in wealth management products of RMB1,250.2 million, (ii) acquisition of subsidiaries and other business entities of RMB49.9 million and (iii) increase in restricted cash in forward foreign exchange contracts of RMB95.5 million, partially offset by proceeds from disposal of wealth management products of RMB1,176.0 million.

For 2015, we had net cash used in investing activities of RMB38.1 million, which was primarily attributable to (i) investments in wealth management products of RMB57.0 million and (ii) purchase of property and equipment of RMB15.1 million, partially offset by proceeds from disposal of wealth management products of RMB42.0 million.



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### *Net cash generated from financing activities*

Our net cash generated from financing activities were primarily from proceeds from issuance of convertible redeemable preferred shares, cash received from trust senior tranche holders, proceeds from shareholders, proceeds from borrowings and other proceeds related to financing activities.

For 2017, we had net cash generated from financing activities of RMB478.1 million, which was primarily attributable to (i) proceeds from issuance of convertible redeemable preferred shares of RMB1,030.0 million, (ii) cash received from trust senior tranche holders of RMB950.0 million, and (iii) proceeds from borrowings of RMB1,019.7 million, partially offset by (i) redemption of preferred shares of RMB1,866.9 million, and (ii) repayment of borrowings of RMB399.0 million.

For 2016, we had net cash generated from financing activities of RMB2,092.3 million, which was primarily attributable to (i) proceeds from issuance of convertible redeemable preferred shares of RMB2,137.6 million, (ii) cash received from trust senior tranche holders of RMB160.0 million, and (iii) proceeds from borrowings of RMB33.0 million, partially offset by (i) redemption of preferred shares of RMB207.0 million, and (ii) repayment of borrowings of RMB24.9 million.

For 2015, we had net cash generated from financing activities of RMB447.4 million, which was primarily attributable to (i) proceeds from issuance of convertible redeemable preferred shares of RMB440.9 million, and (ii) proceeds from borrowings of RMB20.0 million, partially offset by payment to repurchase of restricted shares and ordinary shares of RMB13.5 million.

### CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

|                                             | As of December 31,    |                  |                  | As of<br>April 30, |
|---------------------------------------------|-----------------------|------------------|------------------|--------------------|
|                                             | 2015                  | 2016             | 2017             | 2018               |
|                                             |                       |                  |                  | (Unaudited)        |
|                                             | (in thousands of RMB) |                  |                  |                    |
| <b>Current assets</b>                       |                       |                  |                  |                    |
| Quality assurance fund receivable . . . . . | 63,150                | 576,921          | 1,407,981        | 903,250            |
| Contract assets . . . . .                   | 18,138                | 1,567            | 22,692           | 521,369            |
| Trade receivables . . . . .                 | 11,309                | 35,193           | 59,957           | 94,243             |
| Prepayments and other receivables . . . . . | 20,140                | 580,927          | 355,799          | 202,383            |
| Loans to customers, net. . . . .            | —                     | 196,954          | 948,987          | 441,655            |
| Financial assets designated at fair value   |                       |                  |                  |                    |
| through profit or loss. . . . .             | 15,000                | 89,187           | 334,471          | 525,502            |
| Restricted cash . . . . .                   | 15,095                | 298,213          | 1,407,491        | 1,741,055          |
| Cash and cash equivalents. . . . .          | 286,752               | 2,104,080        | 1,258,446        | 1,078,042          |
| <b>Total current assets . . . . .</b>       | <b>429,584</b>        | <b>3,883,042</b> | <b>5,795,824</b> | <b>5,507,499</b>   |

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|                                                                         | As of December 31,    |                  |                  | As of<br>April 30, |
|-------------------------------------------------------------------------|-----------------------|------------------|------------------|--------------------|
|                                                                         | 2015                  | 2016             | 2017             | 2018               |
|                                                                         |                       |                  |                  | (Unaudited)        |
|                                                                         | (in thousands of RMB) |                  |                  |                    |
| <b>Current liabilities</b>                                              |                       |                  |                  |                    |
| Quality assurance fund payable . . . . .                                | 77,676                | 706,612          | 1,767,210        | 1,158,476          |
| Payable to platform customers . . . . .                                 | 11,572                | 86,140           | 656,422          | 986,869            |
| Contract liabilities . . . . .                                          | —                     | 30,973           | 49,714           | 115,437            |
| Preferred Shares . . . . .                                              | 1,182,588             | —                | —                | —                  |
| Payable to preferred shareholders . . . . .                             | —                     | 1,866,921        | 30,000           | 15,000             |
| Short-term borrowings . . . . .                                         | 20,000                | 33,000           | 257,057          | 274,900            |
| Trade and other payables . . . . .                                      | 35,931                | 138,054          | 963,351          | 1,261,232          |
| Income tax payable . . . . .                                            | 482                   | 42,744           | 36,042           | 18,270             |
| Financial liabilities at fair value through profit<br>or loss . . . . . | —                     | 4,627            | 168,460          | 208,729            |
| <b>Total current liabilities . . . . .</b>                              | <b>1,328,249</b>      | <b>2,909,071</b> | <b>3,928,256</b> | <b>4,038,913</b>   |
| <b>Net Current (Liabilities)/Assets . . . . .</b>                       | <b>(898,665)</b>      | <b>973,971</b>   | <b>1,867,568</b> | <b>1,468,586</b>   |

As of December 31, 2015, 2016 and 2017 and April 30, 2018, we had net current liabilities of RMB898.7 million, and net current assets of RMB974.0 million, RMB1,867.6 million and RMB1,468.6 million, respectively.

As of April 30, 2018, we had net current assets of RMB1,468.6 million, representing a decrease of RMB399.0 million, or 21.4%, compared to our net current assets of RMB1,867.6 million as of December 31, 2017. This decrease was primarily due to a decrease in quality assurance fund receivable and loans to customers, partially offset by a decrease in quality assurance fund payable. The decrease in current assets included (i) a decrease in quality assurance fund receivable of RMB504.7 million, (ii) a decrease in loans to customers, net of RMB507.3 million, partially offset by an increase in contract assets of RMB498.7 million and an increase in restricted cash of RMB333.6 million. The increase in current liabilities was primarily due to (i) an increase in payable to platform customers of RMB330.4 million, (ii) an increase in trade and other payables of RMB297.9 million, partially offset by a decrease in quality assurance fund payable of RMB608.7 million.

As of December 31, 2017, we had net current assets of RMB1,867.6 million, representing an increase of RMB893.6 million, or 91.7%, compared to our net current assets of RMB974 million as of December 31, 2016. This increase was primarily due to an increase in quality assurance fund receivable, restricted cash and loans to customers, partially offset by an increase in quality assurance fund payable, payable to platform customers and short-term borrowings, and a decrease in payable to preferred shareholders. The increase in current assets included (i) an increase in quality assurance fund receivable of RMB831.1 million, (ii) an increase in restricted cash of RMB1,109.3 million, (iii) an increase in loans to customers, net of RMB752.0 million, and (iv) an increase in financial assets

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designated at fair value through profit or loss of RMB245.3 million. The increase in current liabilities was primarily due to (i) an increase in quality assurance fund payable of RMB1,060.6 million, (ii) an increase in trade and other payables of RMB825.3 million, and (iii) an increase in payable to platform customers of RMB570.3 million, partially offset by a decrease in payable to preferred shareholders of RMB1,836.9 million.

As of December 31, 2016, we had net current assets of RMB974.0 million, compared to net current liabilities of RMB898.7 million as of December 31, 2015. This change was primarily due to an increase in cash and cash equivalents, prepayments and other receivables and quality assurance fund receivables and a decrease in preferred shares, partially offset by an increase in quality assurance fund payable, payable to preferred shareholders and trade and other payables. The increase in current assets included (i) an increase in cash and cash equivalents of RMB1,817.3 million, (ii) an increase in prepayments and other receivables of RMB560.8 million, and (iii) an increase in quality assurance fund receivable of RMB513.8 million. The increase in current liabilities included (i) an increase in payable to preferred shareholders of RMB1,866.9 million, (ii) an increase in quality assurance fund payable of RMB628.9 million, (iii) an increase in trade and other payables of RMB102.1 million, and (iii) an increase in payable to platform customers of RMB74.6 million partially offset by a decrease in preferred shares of RMB1,182.6 million.

### WORKING CAPITAL

During the Track Record Period and up to the Latest Practicable Date, we have financed our operations primarily through cash generated by operating activities and the issuance of shares in private placements, while our loan products are primarily funded by individual investors as well as institutional funding partners. As of December 31, 2017, we had RMB1,258.4 million in cash and cash equivalents. We believe that our current cash and cash equivalents and our anticipated cash flows from operations and financing activities will be sufficient to meet our anticipated working capital requirements and capital expenditures for the 12 months following this offering. We may, however, need additional capital in the future to fund our continued operations. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue equity or debt securities or obtain credit facilities.

### CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to purchases of property and equipment and intangible assets. For the years ended December 31, 2015, 2016 and 2017, our capital expenditures were RMB15.1 million, RMB38.8 million and RMB245.5 million, respectively. The following table sets forth a break down of our capital expenditures for the periods indicated:

|                                               | Year ended December 31, |                        |                         |
|-----------------------------------------------|-------------------------|------------------------|-------------------------|
|                                               | 2015                    | 2016                   | 2017                    |
|                                               | (in thousands of RMB)   |                        |                         |
| Purchases of property and equipment . . . . . | (15,111)                | (36,420)               | (238,636)               |
| Purchases of intangible assets . . . . .      | —                       | (2,405)                | (6,825)                 |
| <b>Total . . . . .</b>                        | <b><u>(15,115)</u></b>  | <b><u>(38,825)</u></b> | <b><u>(245,461)</u></b> |

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### CONTRACTUAL COMMITMENTS

#### Operating Lease Commitments

During the Track Record Period, we leased certain office properties under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms within five years. The table below sets forth our future minimum lease payments under non-cancellable operating leases falling due as of the dates indicated:

|                                                        | As of December 31,    |               |               |
|--------------------------------------------------------|-----------------------|---------------|---------------|
|                                                        | 2015                  | 2016          | 2017          |
|                                                        | (in thousands of RMB) |               |               |
| Not later than 1 year . . . . .                        | 1,324                 | 7,789         | 22,104        |
| Later than 1 year and not later than 5 years . . . . . | 56                    | 21,581        | 40,524        |
| <b>Total . . . . .</b>                                 | <b>1,380</b>          | <b>29,370</b> | <b>62,628</b> |

### DISCUSSION OF KEY BALANCE SHEET ITEMS

The following table sets forth details of our assets and liabilities as of the dates indicated:

|                                                                            | As of December 31,    |                |                  | As of            |
|----------------------------------------------------------------------------|-----------------------|----------------|------------------|------------------|
|                                                                            | 2015                  | 2016           | 2017             | April 30,        |
|                                                                            | (in thousands of RMB) |                |                  | 2018             |
|                                                                            |                       |                |                  | (Unaudited)      |
| <b>ASSETS</b>                                                              |                       |                |                  |                  |
| <b>Non-current assets</b>                                                  |                       |                |                  |                  |
| Property and equipment, net . . . . .                                      | 12,730                | 36,709         | 222,066          | 237,094          |
| Intangible assets . . . . .                                                | —                     | 55,756         | 1,026,771        | 1,031,123        |
| Investments accounted for using equity method . . . . .                    | 7,932                 | 12,285         | 145,732          | 145,294          |
| Financial assets designated at fair value through profit or loss . . . . . | —                     | 17,891         | 425,093          | 450,093          |
| Deferred income tax assets . . . . .                                       | 46,604                | 79,836         | 104,556          | 137,047          |
| Term deposits . . . . .                                                    | —                     | —              | 5,000            | 5,000            |
| <b>Total non-current assets . . . . .</b>                                  | <b>67,266</b>         | <b>202,477</b> | <b>1,929,218</b> | <b>2,005,651</b> |
| <b>Current assets</b>                                                      |                       |                |                  |                  |
| Quality assurance fund receivable . . . . .                                | 63,150                | 576,921        | 1,407,981        | 903,250          |
| Contract assets . . . . .                                                  | 18,138                | 1,567          | 22,692           | 521,369          |
| Trade receivables . . . . .                                                | 11,309                | 35,193         | 59,957           | 94,243           |
| Prepayments and other receivables . . . . .                                | 20,140                | 580,927        | 355,799          | 202,383          |
| Loans to customers, net . . . . .                                          | —                     | 196,954        | 948,987          | 441,655          |

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|                                                                         | As of December 31,    |                    |                    | As of<br>April 30, |
|-------------------------------------------------------------------------|-----------------------|--------------------|--------------------|--------------------|
|                                                                         | 2015                  | 2016               | 2017               | 2018               |
|                                                                         |                       |                    |                    | (Unaudited)        |
|                                                                         | (in thousands of RMB) |                    |                    |                    |
| Financial assets designated at fair value                               |                       |                    |                    |                    |
| through profit or loss . . . . .                                        | 15,000                | 89,187             | 334,471            | 525,502            |
| Restricted cash . . . . .                                               | 15,095                | 298,213            | 1,407,491          | 1,741,055          |
| Cash and cash equivalents . . . . .                                     | 286,752               | 2,104,080          | 1,258,446          | 1,078,042          |
| <b>Total current assets . . . . .</b>                                   | <b>429,584</b>        | <b>3,883,042</b>   | <b>5,795,824</b>   | <b>5,507,499</b>   |
| <b>Total assets . . . . .</b>                                           | <b>496,850</b>        | <b>4,085,519</b>   | <b>7,725,042</b>   | <b>7,513,150</b>   |
| <b>DEFICIT AND LIABILITIES</b>                                          |                       |                    |                    |                    |
| <b>Deficit</b>                                                          |                       |                    |                    |                    |
| Share capital . . . . .                                                 | —                     | —                  | 20                 | 25                 |
| Share premium . . . . .                                                 | —                     | —                  | 33,134             | 33,134             |
| Share held for employee incentive scheme . . . . .                      | —                     | —                  | (9)                | (14)               |
| Reserves . . . . .                                                      | (31,790)              | (61,780)           | (214,433)          | 15,386             |
| Accumulated losses . . . . .                                            | (800,512)             | (3,031,954)        | (4,403,224)        | (5,280,288)        |
| Non-controlling interests . . . . .                                     | —                     | —                  | 2,956              | 1,175              |
| <b>Total deficit . . . . .</b>                                          | <b>(832,302)</b>      | <b>(3,093,734)</b> | <b>(4,581,556)</b> | <b>(5,230,582)</b> |
| <b>Liabilities</b>                                                      |                       |                    |                    |                    |
| <b>Non-current liabilities</b>                                          |                       |                    |                    |                    |
| Long-term borrowings . . . . .                                          | —                     | —                  | 436,196            | 424,914            |
| Deferred income tax liabilities . . . . .                               | 903                   | 4,881              | 176,886            | 179,539            |
| Preferred shares . . . . .                                              | —                     | 4,105,301          | 6,815,260          | 7,477,966          |
| Payable to trust senior tranche holders . . . . .                       | —                     | 160,000            | 950,000            | 622,400            |
| <b>Total non-current liabilities . . . . .</b>                          | <b>903</b>            | <b>4,270,182</b>   | <b>8,378,342</b>   | <b>8,704,819</b>   |
| <b>Current liabilities</b>                                              |                       |                    |                    |                    |
| Quality assurance fund payable . . . . .                                | 77,676                | 706,612            | 1,767,210          | 1,158,476          |
| Payable to platform customers . . . . .                                 | 11,572                | 86,140             | 656,422            | 986,869            |
| Contract liabilities . . . . .                                          | —                     | 30,973             | 49,714             | 115,437            |
| Preferred Shares . . . . .                                              | 1,182,588             | —                  | —                  | —                  |
| Payable to preferred shareholders . . . . .                             | —                     | 1,866,921          | 30,000             | 15,000             |
| Short-term borrowings . . . . .                                         | 20,000                | 33,000             | 257,057            | 274,900            |
| Trade and other payables . . . . .                                      | 35,931                | 138,054            | 963,351            | 1,261,232          |
| Income tax payable . . . . .                                            | 482                   | 42,744             | 36,042             | 18,270             |
| Financial liabilities at fair value through profit<br>or loss . . . . . | —                     | 4,627              | 168,460            | 208,729            |
| <b>Total current liabilities . . . . .</b>                              | <b>1,328,249</b>      | <b>2,909,071</b>   | <b>3,928,256</b>   | <b>4,038,913</b>   |
| <b>Total liabilities . . . . .</b>                                      | <b>1,329,152</b>      | <b>7,179,253</b>   | <b>12,306,598</b>  | <b>12,743,732</b>  |
| <b>Total deficit and liabilities . . . . .</b>                          | <b>496,850</b>        | <b>4,085,519</b>   | <b>7,725,042</b>   | <b>7,513,150</b>   |

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### *Quality Assurance Fund*

Quality assurance fund represents the contribution from our borrowers under our investor protection mechanism.

#### *Quality assurance fund receivable*

Our quality assurance fund receivable represents the amounts of contribution recognized at loan inception at its fair value on a loan-by-loan basis. As of December 31, 2015, 2016 and 2017, the outstanding balance of our quality assurance fund receivable was RMB63.2 million, RMB576.9 million and RMB1,408.0 million, respectively. The increase in quality assurance fund receivable is primarily due to the significant growth of loans facilitated on our platform.

#### *Quality assurance fund payable*

Our quality assurance fund payable is recorded and measured at their fair value at the inception. We are not obligated to compensate for default loans in the event no funds are available in the quality assurance fund account. As of December 31, 2015, 2016 and 2017, the outstanding balance of our quality assurance fund payable was RMB77.7 million, RMB706.6 million and RMB1,767.2 million, respectively. The increase in quality assurance fund payable was primarily attributable to the significant growth of loans facilitated on our platform.

### *Prepayments and Other Receivables*

As of December 31, 2015, 2016 and 2017, our prepayments and other receivables were RMB20.1 million, RMB580.9 million and RMB355.8 million, respectively. The prepayments and other receivables primarily consist of deposits from our business partners and rental deposits, receivables from shareholders and prepaid expenses. The receivables from shareholders represent the capital contributions due from certain Preferred Shareholders as a result of the issuance of Preferred Shares and our corporate reorganization. The following table sets forth a breakdown of prepayments and other receivables as of the date indicated:

|                                         | As of December 31,    |                |                |
|-----------------------------------------|-----------------------|----------------|----------------|
|                                         | 2015                  | 2016           | 2017           |
|                                         | (in thousands of RMB) |                |                |
| <b>Included in current assets</b>       |                       |                |                |
| Deposits . . . . .                      | 1,719                 | 19,584         | 183,354        |
| Receivables from shareholders . . . . . | —                     | 523,276        | 85,522         |
| Prepaid expenses . . . . .              | 12,016                | 16,266         | 48,245         |
| Others . . . . .                        | 6,405                 | 21,801         | 38,678         |
|                                         | <u>20,140</u>         | <u>580,927</u> | <u>355,799</u> |

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The significant increase in prepayments and other receivables from RMB20.1 million as of December 31, 2015 to RMB580.9 million as of December 31, 2016 was mainly attributable to the increase of receivables from shareholders from nil as of December 31, 2015 to RMB523.3 million as of December 31, 2016.

The decrease in prepayments and other receivables from RMB580.9 million as of December 31, 2016 to RMB355.8 million as of December 31, 2017 was mainly attributable to the decrease of receivables from shareholders from RMB523.3 million as of December 31, 2016 to RMB85.5 million as of December 31, 2017, partially offset by the increase of RMB163.8 million in the deposits.

### *Loans to Customers, Net*

Our loans to customers, net, represents the balance of our loans to customers made through trust funding and our own micro loan subsidiary, net of impairment loss. As of December 31, 2015, 2016 and 2017, our loans to customers, net was nil, RMB197.0 million and RMB949.0 million, respectively. The RMB197.0 million increase in loans to customers from December 31, 2015 to December 31, 2016 was because in June 2016, we commenced facilitating loans to our borrowers through trust funding. Since we were considered the primary beneficiary of the trusts, the trusts' loans to customers were consolidated on our balance sheet. The RMB752.0 million increase in loans to customers from December 31, 2016 to December 31, 2017 was due the growing scale of our trust funding and the loans we facilitated funded by our micro loan subsidiary.

### *Financial Assets Designated at Fair Value Through Profit or Loss*

Financial assets designated at fair value through profit or loss consist of (i) investment in wealth management products, (ii) investment in debt host securities, (iii) investment in industrial fund, and (iv) investment in equity host securities. As of December 31, 2015, 2016 and 2017, our financial assets designated at fair value through profit or loss was RMB15.0 million, RMB107.1 million and RMB759.6 million, respectively.

The significant increase of RMB92.1 million from December 31, 2015 to December 31, 2016 in the fair value of financial assets was primarily driven by our increased investments in wealth management products issued by banks for better cash utilization from RMB15.0 million to RMB89.2 million. Financial assets at fair value through profit or loss increased by 609.4% from RMB107.1 million as of December 31, 2016 to RMB759.6 million as of December 31, 2017, primarily due to the facts that (i) we increased our investments in certain ordinary shares with liquidation preference and preferred shares in certain privately owned companies from RMB17.7 million as of December 31, 2016 to RMB353.1 million as of December 31, 2017, and (ii) our increased investments in wealth management products from RMB89.2 million as of December 31, 2016 to RMB334.5 million as of December 31, 2017 because of our increased cash surplus.

### *Intangible Assets*

Our intangible assets primarily include software, platform, applications, license and goodwill. As of December 31, 2015, 2016 and 2017, our intangible assets were nil, RMB55.8 million and RMB1,026.8 million, respectively. The value of our intangible assets grew significantly from 2016 to



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2017, mainly due to the increase in the license and the goodwill in relation to our acquisition activities, particularly we recorded a goodwill of RMB307.2 million and a license of RMB499.0 million in 2017 in connection with our acquisition of Shouhui Kaizhuo. The license of Shouhui Kaizhuo will enable us to provide payment-related services business. The valuation method we used for the license is discounted cashflow method and as the date of acquisition of Shouhui Kaizhuo was December 31, 2017, the carrying amount of the license was equal to the fair value determined in the purchase price allocation, no additional impairment assessment was performed.

Goodwill arises on the acquisition of subsidiaries and primarily represents the difference between the consideration transferred over our interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. For example, the goodwill arising from the acquisition of Beijing Dingli is attributable to the operating synergies of quickly expanding our customer reach to non-credit card holders and the goodwill arising from the acquisition of China Netcom is attributable to the operating synergies of supplementing our product offerings in products serving non-credit-card holders and expanding our cooperation with institution funding partners. In addition, the goodwill arising from the acquisition of Zhongrong Insurance is attributable to the business cooperation of providing additional value-added services related to insurance to our customers and enhancing our user stickiness and the goodwill arising from the acquisition of Shouhui Kaizhuo is attributable to synergies that will enable us to provide more user-friendly online payment services, reduce our reliance on third party payment service providers and save our operation cost. Goodwill and intangible assets with indefinite useful life is monitored by our management at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment review, the recoverable amount of the goodwill is determined based on value in use calculations. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five to six year period. Key assumptions for the value in use calculations relate to the estimation of cash flows which include expected annual growth rate and gross margin, such estimation based on each operating segment's past performance and management's expectations for the market development. The discount rates used reflect specific risks relating to each relevant operating segment. Based on the assessment, no provision for impairment on goodwill was required for the Track Record Period.

### *Payable to Platform Customers*

Payable to platform customers refer to the amount of cash (i) received from borrowers that has not yet been disbursed to investors because of time lag of settlement and (ii) held in the custody accounts with our custodian bank. As of December 31, 2015, 2016 and 2017, our payable to platform customers was RMB11.6 million, RMB86.1 million and RMB656.4 million, respectively.

The increase in payable to platform customers from December 31, 2015 to December 31, 2017 was primarily attributable to the significant growth of loan we facilitated on our platform.

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### *Payable to trust senior tranche holders*

Our payable to trust senior tranche holders represents our payables under our trust funding. The significant increase in payable to trust senior tranche holders during the Track Record Period is due to the increase in the loan facilitation volume funded by our trust funding.

### *Trade and Other Payables*

Our trade and other payables are obligations to pay for services that have been delivered in the ordinary course of business, which consists primarily of (i) payable for equity investments, (ii) payroll and welfare payables, (iii) other tax payables, and (iv) deposit payables. Our Directors confirm that we did not have any material defaults in payments of trade and other payables during the Track Record Period and up to the Latest Practicable Date. The following table sets forth the breakdown of our trade and other payables as of the dates indicated:

|                                                          | As of December 31,    |                |                |
|----------------------------------------------------------|-----------------------|----------------|----------------|
|                                                          | 2015                  | 2016           | 2017           |
|                                                          | (in thousands of RMB) |                |                |
| Payables for equity investments . . . . .                | —                     | —              | 507,168        |
| Payroll and welfare payables . . . . .                   | 21,649                | 54,555         | 145,453        |
| Payables to related parties . . . . .                    | —                     | —              | 73,854         |
| Other tax payables . . . . .                             | 8,338                 | 44,208         | 62,299         |
| Online promotion marketing payables . . . . .            | 1,677                 | 3,918          | 31,648         |
| Payables on behalf of the credit card users . . . . .    | 37                    | 6,189          | 22,029         |
| Trade payables . . . . .                                 | 758                   | 7,451          | 33,778         |
| Listing fee payables . . . . .                           | —                     | —              | 9,472          |
| Payables on behalf of users of payment company . . . . . | —                     | —              | 8,131          |
| Deposit payables . . . . .                               | 2,632                 | 10,800         | 4,429          |
| Others . . . . .                                         | 840                   | 10,933         | 65,090         |
| <b>Total . . . . .</b>                                   | <b>35,931</b>         | <b>138,054</b> | <b>963,351</b> |

The increase in our trade and other payable from December 31, 2015 to December 31, 2016 was primarily due to the increase in payables related to payroll and welfare and tax payables. The increase in our trade and other payable from December 31, 2016 to December 31, 2017 was primarily due to the increase in payables for equity investments in connection with our acquisition and investment activities.

### RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. It is the view of our Directors that each of the related party transactions set out in note 36 of our historical financial information in the Accountant's Report in Appendix I to this prospectus were conducted in the

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ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

### *Amounts due from related parties*

As of December 31, 2015, 2016 and 2017, the amounts due from related parties were nil, RMB0.5 million and RMB3.6 million, respectively. During the Track Record Period, the amounts due from related parties primarily represented (i) trade receivable from our associate companies in connection with user acquisition and (ii) other receivable in connection with our lending to one of our associates. We expect to settle such lending before Listing.

### *Amounts due to related parties*

As of December 31, 2015, 2016 and 2017, the amounts due to related parties were nil, nil and RMB73.9 million, respectively. The amounts due to related parties as of December 31, 2017 primarily represent other payable to one of our shareholders in connection with our corporate restructuring in 2017. Such amount was fully settled in January 2018.

## INDEBTEDNESS

### Borrowings

Our borrowings are comprised of (i) bank borrowings and (ii) other borrowings. Our other borrowings primarily represent (i) our borrowings from non-bank institutions in connection with our acquisitions and investments activities and (ii) the liabilities under the convertible bonds issued by China Netcom that we assumed as a result of our acquisition of China Netcom in 2017.

The following table sets forth a breakdown of our borrowings by nature as of the dates indicated.

|                                  | As of December 31,    |               |                | As of          |
|----------------------------------|-----------------------|---------------|----------------|----------------|
|                                  | 2015                  | 2016          | 2017           | April 30,      |
|                                  |                       |               |                | 2018           |
|                                  |                       |               |                | (Unaudited)    |
|                                  | (in thousands of RMB) |               |                |                |
| <b>Bank and other borrowings</b> |                       |               |                |                |
| Short-term borrowings            |                       |               |                |                |
| Bank borrowings . . . . .        | 20,000                | 33,000        | 130,000        | 174,900        |
| Other borrowings . . . . .       | —                     | —             | 127,057        | 100,000        |
| Long-term borrowings             |                       |               |                |                |
| Bank borrowings . . . . .        | —                     | —             | 51,661         | 69,848         |
| Other borrowings . . . . .       | —                     | —             | 384,535        | 355,066        |
| <b>Total . . . . .</b>           | <b>20,000</b>         | <b>33,000</b> | <b>693,253</b> | <b>699,814</b> |

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The following table sets forth the maturity profile of our borrowings within the periods indicated.

|                              | As of December 31,    |               |                | As of<br>April 30 |
|------------------------------|-----------------------|---------------|----------------|-------------------|
|                              | 2015                  | 2016          | 2017           | 2018              |
|                              |                       |               |                | (Unaudited)       |
|                              | (in thousands of RMB) |               |                |                   |
| Within 1 year . . . . .      | 20,000                | 33,000        | 257,057        | 274,900           |
| 1 year to 2 years . . . . .  | —                     | —             | 9,767          | 21,626            |
| 2 years to 5 years . . . . . | —                     | —             | 403,720        | 385,150           |
| 5 years to 8 years . . . . . | —                     | —             | 22,709         | 18,138            |
| <b>Total</b> . . . . .       | <u>20,000</u>         | <u>33,000</u> | <u>693,253</u> | <u>699,814</u>    |

The bank and other borrowings as of December 31, 2015, 2016 and 2017 and April 30, 2018 were all denominated in Renminbi or Hong Kong Dollars. As of April 30, 2018, our undrawn banking facilities amounted to RMB260.1 million.

The table below sets forth the range of effective interest rates (per annum) of our borrowings as of the dates indicated:

|                            | As of December 31, |       |              |
|----------------------------|--------------------|-------|--------------|
|                            | 2015               | 2016  | 2017         |
| Bank borrowings . . . . .  | 7.00%              | 7.00% | 3.74%-7.20%  |
| Other borrowings . . . . . | —                  | —     | 6.50%-14.61% |

During the Track Record Period, certain of our bank and other borrowings were secured by (i) our own properties, (ii) ordinary shares of China Netcom, and (iii) our equity interests in a subsidiary and a portfolio company. In addition, certain of our bank and other borrowings were guaranteed by the companies comprising the Group and Mr. Sun.

### Preferred Shares

We issued Preferred Shares to various investors during the Track Record Period. On the Listing Date, all of our Preferred Shares will be automatically converted into our Shares. For a discussion of our issuances of Preferred Shares, see the section headed “History, Reorganization and Corporate Structure—Investors’ Investments.” As of December 31, 2015, 2016, and 2017, our Preferred Shares had fair values of RMB1,182.6 million, RMB4,105.3 million, RMB6,815.3 million, respectively, because the value of our Company increased in light of our results of operations. For further information regarding our Preferred Shares, see the section headed “Appendix I—Accountant’s Report—Notes to the Historical Financial Information.” Since December 31, 2017 and up to the Latest Practicable Date, we have not issued or redeemed any Preferred Shares.

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### Statement of Indebtedness

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 covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty or default in payment of our borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Except as disclosed above, as of April 30, 2018, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since April 30, 2018.

### Contingent Liabilities

As of April 30, 2018, we did not have any material contingent liabilities or any litigations or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since April 30, 2018.

### Off-balance Sheet Commitments and Arrangements

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

### LISTING EXPENSES

Based on the mid-point Offer Price of HK\$10.00, assuming that the Over-allotment Option is not exercised, the total estimated listing related expenses including legal and professional fees, SFC transaction levy, Stock Exchange trading fee, underwriting commissions and discretionary bonus payable by us in relation to the Global Offering is approximately RMB74.6 million. For the year ended December 31, 2017, the listing expenses of RMB14.9 million was charged to our consolidated statements of comprehensive income for the year ended December 31, 2017. We estimate that the total listing expenses for the year 2018 in the amount of RMB27.9 million will be charged to our consolidated statements of comprehensive income and approximately RMB31.8 million, which includes underwriting commission, upon completion of the Global Offering is expected to be capitalized for the year ending December 31, 2018. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations for the year ending December 31, 2018.

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### FINANCIAL RATIOS

The following table sets forth our selected financial ratios for the years indicated.

|                                                           | As of December 31, |       |       |
|-----------------------------------------------------------|--------------------|-------|-------|
|                                                           | 2015               | 2016  | 2017  |
| Adjusted operating profit margin <sup>(1)</sup> . . . . . | N/A                | 15.2% | 34.3% |
| Adjusted net profit margin <sup>(2)</sup> . . . . .       | N/A                | 9.4%  | 32.8% |

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*Notes:*

- (1) Adjusted operating profit margin is calculated by dividing adjusted operating profit for the year by total income for the year.
- (2) Adjusted net profit margin is calculated by dividing adjusted net profit for the year by total income for the year.

### Adjusted Operating Profit Margin and Adjusted Net Profit Margin

For 2015, our adjusted operating profit margin and net profit margin were negative, because we recorded adjusted operating loss and adjusted net loss in 2015. For 2016, we had an adjusted operating profit and adjusted net profit of RMB86.6 million and RMB777.2 million, respectively, and our adjusted operating profit margin and adjusted net profit margin were 15.2% and 34.3%, respectively. For 2017, we had an adjusted operating profit and adjusted net profit of RMB53.5 million and RMB743.8 million, respectively, and our adjusted operating profit margin and adjusted net profit margin were 9.4% and 32.8%, respectively.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk, as set out below. We regularly monitor our exposure to these risks. As of the Latest Practicable Date, we did not hedge or consider it was necessary to hedge any of these risks.

#### Market Risk

##### *Foreign Exchange Risk*

The transactions of the Company are denominated and settled in its functional currency, US Dollars. The Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollars and HK Dollars. Therefore, foreign exchange risk primarily arose from cash and cash equivalents in the Group's PRC subsidiaries when receiving or to receive foreign currencies from overseas business partners.

The Group enters into forward foreign exchange contracts to cover specific foreign currency payments and receipts within the exposure generated.

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For the Group's PRC subsidiaries whose functional currency is RMB, if US Dollars had strengthened/ weakened by 5% against RMB with all other variables held constant, the loss before income tax for the years ended December 31, 2015, 2016 and 2017 would have been approximately RMB1,080,000 lower/higher, RMB11,907,000 higher/lower and RMB3,357,000 lower/higher, respectively, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in US Dollars.

For the Group's PRC subsidiaries whose functional currency is RMB, if HK Dollars had strengthened/ weakened by 5% against RMB with all other variables held constant, the loss before income tax for the years ended December 31, 2015, 2016 and 2017 would have been approximately nil, nil and RMB7,523,000 higher/lower, respectively, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in HK Dollars.

### ***Interest Rate Risk***

The Group is exposed to interest rate risk primarily in relation to term deposits, loans to customers, net, long-term borrowings and short-term borrowings. The Group generally assumes borrowings to fund capital expenditures and working capital requirements. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of the note 4 to the consolidated financial statements included in "Appendix I — Accountant's Report" to this prospectus.

The sensitivity analyses below have been determined based on the exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher and all other variables were held constant, the Group's profit would approximately decrease by RMB13,000 for the years ended December 31, 2015 and increase by RMB860,000 and RMB3,654,000 for the years ended December 31, 2016 and 2017, respectively. This is mainly attributable to the Group's exposure to interest rates on loans to customers, net.

The Group's financial department and risk management department jointly monitored and managed the Group's interest rate risk.



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### Credit Risk

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group. The Group manages the credit risk through a data-driven quantified risk rating system. The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, contract assets, quality assurance fund receivable, receivable from platform customers, financial assets designated at fair value through profit or loss, loans to customers, net and trade and other receivables.

To manage this risk arising from cash and cash equivalents, restricted cash and financial assets designated at fair value through profit or loss, the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relations to these financial institutions.

For other receivables, the Group makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experience.

There are no significant concentrations of credit risk within our Group.

### Liquidity Risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of its businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

|                                          | As of December 31, 2015 |
|------------------------------------------|-------------------------|
|                                          | Less than 1 year        |
|                                          | (in thousands of RMB)   |
| Quality assurance fund payable . . . . . | 77,676                  |
| Payable to platform customers . . . . .  | 11,572                  |
| Short-term borrowings . . . . .          | 20,117                  |
| Trade payables . . . . .                 | 758                     |
| Other financial liabilities . . . . .    | 5,186                   |
| <b>Total liabilities . . . . .</b>       | <b>115,309</b>          |

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| As of December 31, 2016                                                 |                         |                         |                         |
|-------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
|                                                                         | Less than<br>1 year     | Between<br>1 to 5 years | Total                   |
| (in thousands of RMB)                                                   |                         |                         |                         |
| Payable to trust senior tranche holders . . . . .                       | 12,800                  | 177,885                 | 190,685                 |
| Payable to preferred shareholders . . . . .                             | 1,866,921               | —                       | 1,866,921               |
| Quality assurance program payable . . . . .                             | 706,612                 | —                       | 706,612                 |
| Payable to platform customers . . . . .                                 | 86,140                  | —                       | 86,140                  |
| Contract liabilities . . . . .                                          | 30,973                  | —                       | 30,973                  |
| Short-term borrowings . . . . .                                         | 33,193                  | —                       | 33,193                  |
| Trade payables . . . . .                                                | 7,451                   | —                       | 7,451                   |
| Financial liabilities at fair value through profit<br>or loss . . . . . | 4,627                   | —                       | 4,627                   |
| Other financial liabilities . . . . .                                   | 31,840                  | —                       | 31,840                  |
| <b>Total liabilities . . . . .</b>                                      | <b><u>2,780,557</u></b> | <b><u>177,885</u></b>   | <b><u>2,958,442</u></b> |

| As of December 31, 2017                                                 |                         |                         |                      |                         |
|-------------------------------------------------------------------------|-------------------------|-------------------------|----------------------|-------------------------|
|                                                                         | Less than<br>1 year     | Between<br>1 to 5 years | Over<br>5 years      | Total                   |
| (in thousands of RMB)                                                   |                         |                         |                      |                         |
| Long-term borrowings . . . . .                                          | 35,904                  | 499,962                 | 21,847               | 557,713                 |
| Payable to trust senior tranche holders . . . . .                       | 74,150                  | 944,089                 | —                    | 1,018,239               |
| Quality assurance fund payable . . . . .                                | 1,767,210               | —                       | —                    | 1,767,210               |
| Payable to platform customers . . . . .                                 | 656,422                 | —                       | —                    | 656,422                 |
| Short-term borrowings . . . . .                                         | 264,119                 | —                       | —                    | 264,119                 |
| Trade payables . . . . .                                                | 33,778                  | —                       | —                    | 33,778                  |
| Financial liabilities at loss value through<br>profit or loss . . . . . | 168,460                 | —                       | —                    | 168,460                 |
| Other financial liabilities . . . . .                                   | 721,821                 | —                       | —                    | 721,821                 |
|                                                                         | <b><u>3,721,864</u></b> | <b><u>1,444,051</u></b> | <b><u>21,847</u></b> | <b><u>5,187,762</u></b> |

### Goodwill Sensitivity Analysis

Goodwill of RMB42,707,000, RMB132,454,000, RMB8,926,000, RMB307,161,000 and RMB55,000 were recognized as the results of the acquisition of Beijing Dingli, China Netcom, Zhongrong Insurance, Shouhui Kaizhuo and Shanghai Qidian Information Technology Co., Ltd. by the Group, respectively.

Goodwill is monitored at the operating segment level by the management. The management assessed the Netcom as one separate operating segment (“Netcome Unit”) and the Group excluding China Netcom as the other operating segment (“Core Unit”).

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Impairment review on the goodwill of the Group has been conducted by the management as at December 31, 2016 and 2017 according to IAS 36 “Impairment of assets”. For the purpose of impairment review, the recoverable amount of the goodwill is determined based on the value in use calculations. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five to six year period. The period used in cash flow projection in the goodwill impairment assessment should be six years for Core Unit as of December 31, 2016. Under paragraph 33(b) of IAS 36, a period longer than five years can be used if it is justifiable, and the management of the Group used a six-year period as at December 31, 2016, which takes into account the length of the post projection period for the cash flow forecast will be perpetuity, and this shall be achieved by identifying a ‘steady state’ set of assumptions for the cash flows in the last year of the forecasts and applying a terminal value multiple to those cash flows. Therefore, given the Group expects to maintain an extended high growth rate over a period longer than 5 years, management of the Group considers that the core business unit of the Group is expected to reach a steady and stable terminal growth state likely after a six-year period of gradually declining revenue growth. The expected annual growth rates over the six-year forecast period are based on the Group’s past performance and management’s expectation of future market and business developments based on the fact that other competitors still have a high growth rate over six-year period. Key assumptions for the value in use calculations relate to the estimation of cash flows which include expected annual growth rate and gross margin, such estimation based on each operating segment’s past performance and management’s expectations for the market development. The pre-tax discount rates used reflect specific risks relating to each relevant operating segment. As at December 31, 2016 and 2017, key parameters for goodwill used for value-in-use calculations are set as below:

|                                 | As at December 31, |                      |
|---------------------------------|--------------------|----------------------|
|                                 | 2016               | 2017                 |
| Annual growth rates . . . . .   | 5.00%-157.00%      | 0.10%-512.00%        |
| Gross margin . . . . .          | 74.00%-75.00%      | 68.00%-78.00%        |
| Pre-tax discount rate . . . . . | <u>17.29%</u>      | <u>17.32%-23.92%</u> |

Based on the assessment, no provision for impairment on goodwill was required for the Track Record Period.

Based on the result of the goodwill impairment testing, the estimated recoverable amount exceeded its carrying amount of Core Unit by approximately RMB5,272,026,000 as of December 31, 2016 and the estimated recoverable amount exceeded its carrying amount of Core Unit and Netcom Unit by approximately RMB8,002,306,000 and RMB161,200,000 as of December 31, 2017 respectively. The management of the Group has not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount to exceed the recoverable amount of Core Unit as of December 31, 2016 and 2017 respectively. Assuming the gross margin decreased by 21.0% of Netcom Unit, the carrying amount of Netcom Unit would be equal to the recoverable amount as of December 31, 2017.

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If the annual growth rate and gross margin for each year covering a five to six year period used in the value-in-use calculation had been 5% lower than our management's estimates and if the pre-tax discount rate applied to the cash flow projections had been 5% higher than our management's estimates as at December 31, 2016 and 2017 respectively, the estimated recoverable amount shall exceed its carrying amount listed in below table:

| As at December 31, 2016 |                       |                  |                          |
|-------------------------|-----------------------|------------------|--------------------------|
|                         | Annual Growth<br>Rate | Gross Margin     | Pre-tax<br>discount Rate |
|                         | RMB'000               | RMB'000          | RMB'000                  |
| Core Unit. . . . .      | <u>4,525,247</u>      | <u>4,353,478</u> | <u>3,639,535</u>         |
| As at December 31, 2017 |                       |                  |                          |
|                         | Annual Growth<br>Rate | Gross Margin     | Pre-tax<br>discount Rate |
|                         | RMB'000               | RMB'000          | RMB'000                  |
| Core Unit. . . . .      | 6,590,969             | 6,268,227        | 5,345,172                |
| Netcom Unit . . . . .   | 136,299               | 130,440          | 102,154                  |

### DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of December 31, 2017.

### DIVIDEND POLICY

We are a holding company with no material operations of its own. We conduct our operations primarily through our subsidiary, Hangzhou Enniu and its subsidiaries in China. As a result, our ability to pay dividends depends upon dividends paid by our PRC subsidiary. If our existing PRC subsidiary 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 subsidiary in China is permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and variable interest entity 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, each of our subsidiaries may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds and staff bonus and welfare funds at its discretion, and our variable interest entity may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and

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the discretionary 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. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant (including all applicable PRC laws and regulations which our subsidiaries are required to comply with). Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

In 2015, 2016 and 2017, we did not declare or pay any dividends to our Shareholders.

### DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2017 and there is no event since December 31, 2017 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I to this prospectus.

### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following our unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on our audited consolidated net tangible assets as of December 31, 2017 as if it had taken place on that date.

Our unaudited pro forma adjusted consolidated 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 financial position of our Group had the Global Offering been completed as of December 31, 2017 or

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any future date. It is prepared based on our consolidated net tangible liabilities as of December 31, 2017 as set out in the section headed “Appendix I — Accountant’s Report” to this prospectus, and adjusted as described below:

|                                                                 | Audited<br>consolidated net<br>tangible liabilities<br>of the Group<br>attributable to the<br>equity holders of<br>the Company as<br>at December 31,<br>2017 <sup>(1)</sup> | Estimated<br>net proceeds<br>from the<br>Global<br>Offering <sup>(2)</sup> | Estimated<br>impact to the<br>net assets<br>upon the<br>conversion of<br>the preferred<br>shares <sup>(3)</sup> | Unaudited pro<br>forma adjusted<br>consolidated net<br>tangible assets<br>of the Group<br>attributable to the<br>equity holders of<br>the Company as<br>at December 31,<br>2017 | Unaudited pro<br>forma adjusted<br>net tangible assets<br>per Share <sup>(4)</sup> |      |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------|
|                                                                 | RMB’000                                                                                                                                                                     | RMB’000                                                                    | RMB’000                                                                                                         | RMB’000                                                                                                                                                                         | RMB                                                                                | HK\$ |
| <b>Based on an Offer Price of<br/>HK\$8.50 per Share . . .</b>  | (5,611,283)                                                                                                                                                                 | 779,053                                                                    | 6,815,260                                                                                                       | 1,983,030                                                                                                                                                                       | 1.67                                                                               | 2.02 |
| <b>Based on an Offer Price of<br/>HK\$11.50 per Share . . .</b> | (5,611,283)                                                                                                                                                                 | 1,062,929                                                                  | 6,815,260                                                                                                       | 2,266,906                                                                                                                                                                       | 1.91                                                                               | 2.31 |

*Notes:*

- (1) The audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2017 is extracted from the Accountant’s Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of the Group attributable to the equity holders of the Company as at December 31, 2017 of RMB4,584,512,000 with an adjustment for the intangible assets as at December 31, 2017 of RMB1,026,771,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$8.50 per Share and HK\$11.50 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB14,905,000 which have been accounted for in the Group’s consolidated statements of comprehensive income prior to December 31, 2017) payable by the Company and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any shares which may be granted under the RSU Schemes or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed “Share Capital” in this prospectus.
- (3) Upon Listing, all of the Preferred Shares and Class B Ordinary Shares will be automatically converted into Shares pursuant to the respective share subscription agreements. Prior to the conversion, the Preferred Shares and Class B Ordinary Shares were accounted for as a liability to the Company. Accordingly, for the purpose of the unaudited pro forma adjusted consolidated net tangible assets, the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company will be increased by RMB6,815,260,000, being the carrying amounts of the Preferred Shares and Class B Ordinary Shares as at December 31, 2017.
- (4) 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 1,187,026,522 Shares are expected to be in issue immediately upon completion of the Global Offering (including completion of the conversion of the Preferred Shares and Class B Ordinary Shares into shares), which is assumed to be on December 31, 2017 for the purpose of the pro forma financial information,

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and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any shares which may be granted under the RSU Schemes or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed “Share Capital” in this prospectus.

- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.82614. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2017.



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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See “Business—Our Strategies” for a detailed discussion of our future plans.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,096.8 million (equivalent to approximately RMB906.1 million) (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering), assuming the Over-allotment Option is not exercised at all and an Offer Price of HK\$10.00 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. We intend to use the net proceeds we receive from the Global Offering as follows:

1. approximately HK\$438.7 million (equivalent to approximately RMB362.4 million, representing 40% of the net proceeds) for user acquisition efforts for the next five years through multiple channels (the proceeds do not include the costs to provide services to these additional users) including app stores, search engines, third-party Apps and social media channels and to a lesser extent, general branding activities such as online and offline advertisements, such as building and elevator advertising, shopping mall advertising. 70% of the proceeds for user acquisition efforts will be allocated to the promotion of 51 Credit Card Manager App and the rest will be allocated to the promotion of other Apps. In 2017, a large number of online consumer finance players rushed into the markets and invested heavily in the user acquisition effort with an aim to quickly expand their respective market shares. With the development of regulatory environment of online consumer finance industry unfolding and the market’s gradual consolidation, the competition with little regard to cost has cooled down since the end of 2017. As a result, compared with significant increase of our user acquisition cost from 2016 to 2017, we expect a more moderate increase of average user acquisition cost in the future. Furthermore, we plan to use our operating income in addition to 40% of proceeds received from the initial public offering in user acquisition efforts through multiple channels mentioned above. With such investment in user acquisition, it is estimated that the annual increase in the number of registered users for 51 Credit Card Manager App and other Apps will amount to approximately 20 million and 10 million, respectively. As our settlement with the channel providers is mostly based on number of impressions, user clicks and user downloads, we expect such user acquisition efforts will lead to stable increase in our registered users across all our Apps for the next five years;
2. approximately HK\$329.0 million (equivalent to approximately RMB271.8 million, representing 30% of the net proceeds) to further enhance our technology and risk management capabilities. We intend to allocate half of this portion of the net proceeds to increase the headcount of our research and development and risk management employees by 100 to 300 annually to support our business growth in the next five years. We also plan to allocate the remaining half of this portion of the net proceeds to further enhance our technology and risk management infrastructure, in particular in the areas of big data analysis and artificial intelligence technology with the focus on anti-fraud, deep learning in image analysis, behavior analysis, relationship mapping, automatic user interaction and

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## FUTURE PLANS AND USE OF PROCEEDS

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intelligent user operation. Specifically, investment in artificial intelligence and big data enables us, among others, to (i) further develop facial recognition and voice recognition system to minimize the risks of fraud; (ii) increase the level of automation and precision of our interactive Help Center that serves as a starting point for any question our users may have and (iii) optimize our risk pricing capabilities in data process and data analysis;

3. approximately HK\$219.4 million (equivalent to approximately RMB181.2 million, representing 20% of the net proceeds) to selectively pursue investment opportunities for the next five years that are complementary to our business and are in line with our growth strategies. The target businesses include businesses that are located in China and have differentiated consumption scenarios and fast growing user base and businesses with strong capabilities in data process and analysis. We mainly target for investments with amounts between RMB10 million and RMB300 million and those targets with an annual transaction volume of above RMB10 million or with user base of above 100,000. We expect to achieve synergies in the following areas: (a) companies with differentiated consumption scenarios that can provide us with user acquisition channels, and (b) companies with strong data processing and analysis capabilities can provide services to us and complement our internal team in risk management and user stickiness efforts. Meanwhile, we also expect to benefit from the growth of portfolio companies via exit in IPOs or other ways. The Directors are of the view that with wider user base of big data and the fast growth of China's mass consumption needs, coupled with the fact that this need has been largely underserved by traditional financial institutions due to the lack of credit infrastructure, there will be a large number of technology-driven start-ups entering into the market. As a result, we expect the pool of our potential target companies will expand in the near future. As of the Latest Practicable Date, we had not proposed to invest in any specific acquisition target or identified any such targets for the use of net proceeds from the Global Offering; and
4. approximately HK\$109.7 million (equivalent to approximately RMB90.7 million, representing 10% of the net proceeds) for working capital and other general corporate purposes.

To the extent that our actual net proceeds from the Global Offering is higher or lower than our estimate above, we will increase or decrease our allocation of the net proceeds for the above purposes accordingly on a pro rata basis.

In the event that the Over-allotment Option is not exercised at all and after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering, we estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,268.6 million assuming the Offer Price is determined to be HK\$11.50 per Share, being the high-end of the indicative offer price range stated in this prospectus, and approximately HK\$925.0 million, assuming the Offer Price is determined to be HK\$8.50 per Share, being the low-end of the indicative offer price range stated in this prospectus.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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In the event that the Over-allotment Option is exercised in full and after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering, we estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,466.2 million assuming the Offer Price is determined to be HK\$11.50 per Share, being the high-end of the indicative offer price range stated in this prospectus, and approximately HK\$1,071.0 million, assuming the Offer Price is determined to be HK\$8.50 per Share, being the low-end of the indicative offer price range stated in this prospectus. Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis.

To the extent that the net proceeds of the Global Offering we receive are not immediately used for the above purposes, we may allocate part or all of the proceeds to short-term interest-bearing deposits or money-market instruments with licensed banks or authorized financial institutions in Hong Kong or the PRC.

We will issue announcement, where required, if there is any material change in the abovementioned use of proceeds.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

Citigroup Global Markets Asia Limited  
China Merchants Securities (HK) Co., Limited  
CLSA Limited  
ABCI Securities Company Limited  
BOCI Asia Limited  
BOCOM International Securities Limited  
CCB International Capital Limited  
China Everbright Securities (HK) Limited  
Haitong International Securities Company Limited  
Silk Road International Capital Limited  
Futu Securities International (Hong Kong) Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 11,871,000 Hong Kong Offer Shares and the International Offering of initially 106,832,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as to the Over-allotment Option (in the case of the International Offering).

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

The Hong Kong Underwriting Agreement was entered into on June 28, 2018. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue (including the Shares to be converted from the Class B Ordinary Shares and the Preferred Shares) and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

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## UNDERWRITING

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The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

### *Grounds for Termination*

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled, in their absolute discretion and by giving notice to the Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, large scale outbreaks of diseases, economic sanctions, strikes, labour disputes (including, without limitation, SARS, swine or avian flu, H5N1, H1N1, H7N9 and such related/mutated forms), lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Hong Kong, the PRC, the Cayman Islands, the United States or the European Union (or any member thereof) (collectively, the “**Relevant Jurisdictions**”);
  - (ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;
  - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange;
  - (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member

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## UNDERWRITING

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thereof) or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

- (v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental authority in or affecting any of the Relevant Jurisdictions;
- (vi) the imposition of economic sanctions of the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;
- (vii) any valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;
- (viii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;
- (ix) other than with the prior written consent of the Joint Global Coordinators, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, any Application Forms or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;
- (x) any demand by creditors for repayment of indebtedness or an order or petition for the winding-up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;
- (xi) any litigation, dispute, legal action or claim being threatened or instigated against any member of the Group of the Controlling Shareholders;

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## UNDERWRITING

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- (xii) any contravention by the Company, any member of the Group, or any Director of any applicable laws and regulations or the Listing Rules; or
- (xiii) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations;
- (xiv) any change or prospective change or development, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus.

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (1) has or will or may have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholder’s equity, profit, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of the Group as a whole; (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International placing; (3) makes or will make or may make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International placing to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offer-Related Documents (as defined below); or (4) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Joint Global Coordinators that:
  - (i) any statement contained in this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto (the “**Offer-Related Documents**”) but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;
  - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offer-Related Documents;
  - (iii) there is a material breach of any of the obligations imposed upon the Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Global Coordinators, the Joint Sponsors or the Underwriters), as applicable;



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## UNDERWRITING

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- (iv) there is an event, act or omission which gives or is likely to give rise to any liability of the Company or the Controlling Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (v) there is any material adverse change, or development or likely to be any prospective material adverse change, or development in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, performance position or condition, financial or otherwise, of the Group as a whole;
- (vi) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by the Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (vii) the approval of the Listing Committee of the listing of, and permission to deal in, the Shares in issue (including the Shares to be converted from the Class B Ordinary Shares and the Preferred Shares) and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option), is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;
- (viii) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (ix) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;
- (x) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering;
- (xi) the chairman, the chief executive officer, any other Director or any other member of senior management of the Company is vacating his or her office;
- (xii) any Director or member of senior management of the Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director in his or her capacity as such or any member of the Group of an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or

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## UNDERWRITING

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- (xiii) there is any order or petition for the winding-up of any member of the Group or the Controlling Shareholders or any composition or arrangement made any member of the Group or the Controlling Shareholders with their creditors or a scheme of arrangement entered into any member of the Group or the Controlling Shareholders or any resolution for the winding-up any member of the Group or the Controlling Shareholders or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking any member of the Group or the Controlling Shareholders or anything analogous thereto occurring in respect of any member of the Group or the Controlling Shareholders.

### *Undertakings to the Stock Exchange pursuant to the Listing Rules*

#### *(A) Undertakings by the Company*

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into 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 (a) pursuant to the Global Offering or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

#### *(B) Undertakings by the Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each Controlling Shareholder has undertaken to the Stock Exchange and the Company that, except pursuant to (a) any lending of Shares pursuant to the Stock Borrowing Agreement or (b) any sale of Shares pursuant to the Global Offering, it will not and will procure that the relevant registered holder(s) will not:

- (i) in the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, 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 prospectus to be the beneficial owner; and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, 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 referred to in paragraph (i) above 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,

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## UNDERWRITING

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in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each Controlling Shareholder has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

- (1) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (1) and (2) above (if any) by any of the Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

### *Undertakings Pursuant to the Hong Kong Underwriting Agreement*

#### *(A) Undertakings by the Company*

Pursuant to the Hong Kong Underwriting Agreement, save for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the “**First Six-Month Period**”), the Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters not to, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company); or

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## UNDERWRITING

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other securities of the Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company, in cash or otherwise (whether or not the issue of such Shares or other securities of the Company will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), the Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or contracts to or announces, or publicly discloses, any intention to, enter into any such transactions, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of the Company.

### *(B) Undertakings by the Controlling Shareholders*

Each Controlling Shareholder will, on or prior to the Listing Date, undertake to each of the Joint Global Coordinators (for themselves and on behalf of each of the International Underwriters and the Hong Kong Underwriters) that, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules and save for the lending of Shares pursuant to the Stock Borrowing Agreement, at any time during the First Six-Month Period, it will not and will procure that no company controlled by it or any nominee or trustee holding in trust for it (including the relevant registered holder(s)) will,

- (i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) beneficially owned by it or such company controlled by it or any nominee or trustee holding in trust for it as of the Listing Date (the “**Lock-up Securities**”);

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## UNDERWRITING

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Lock-up Securities;
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above

whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period); and during the Second Six-Month Period, it will not and will procure that no company controlled by it or any nominee or trustee holding in trust for it (including the relevant registered holder(s)) will enter into any transaction described in paragraphs (i), (ii) or (iii) above in respect of any Lock-up Securities or offer to or agree to or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it or the relevant registered holder(s) would cease to be a Controlling Shareholder of the Company, and until the expiry of the Second Six-Month Period, in the event that it or any company controlled by it or any nominee or trustee holding in trust for it (including the relevant registered holder(s)) enters into any such transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or contracts to, or publicly announces an intention to enter into any such transactions, it or such company controlled by it or any nominee or trustee holding in trust for it (including the relevant registered holder(s)) will take all reasonable steps to ensure that it or any company controlled by it or any nominee or trustee holding in trust for it (including the relevant registered holder(s)) will not create a disorderly or false market in the securities of the Company.

### *Undertakings by the Shareholders of the Company*

Each of the Shareholders of the Company has undertaken to the Company and the Joint Global Coordinators (for themselves and on behalf of each of the International Underwriters and the Hong Kong Underwriters) that except as may be required by applicable law or regulation or with the prior written consent of the Company and the Joint Global Coordinators, it will not and will procure that no company controlled by it or any nominee or trustee holding in trust for it will, at any time during the period commencing on the date of their respective undertaking, and ending on a date which is six months from the Listing Date (the “**Lock-up Period**”)

- (a) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) held by it immediately following completion of the Global Offering (the “**Investor Shares**”);

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## UNDERWRITING

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- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Investor Shares;
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) offer to or contract to or agree to or publicly disclose that it will or may enter into any transaction described in (a), (b) or (c) above,

whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the Lock-up Period), provided that the above restrictions:

- (a) shall not prevent the transferring of any Lock-up Shares: (i) as may be required by applicable law or regulation; or (ii) pursuant to the Global Offering (including the Over-allotment Option);
- (b) do not apply to Shares acquired by it subsequent to the completion of the Global Offering and will not prevent it from using the Shares beneficially owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan provided that (i) it immediately informs the Company and the Joint Global Coordinators of such pledge or charge together with the number of Shares so pledged or charged, and (ii) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company and the Joint Global Coordinators of such indications.

### ***Hong Kong Underwriters' Interests in the Company***

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

### **International Offering**

#### ***International Underwriting Agreement***

In connection with the International Offering, the Company and the Controlling Shareholder expect to enter into the International Underwriting Agreement with the International Underwriters on

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## UNDERWRITING

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the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See “Structure of the Global Offering—The International Offering.”

### ***Over-allotment Option***

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 17,805,500 Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See “Structure of the Global Offering—Over-allotment Option.”

### **Commissions and Expenses**

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters may receive a discretionary incentive fee of up to 1% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK\$10.00 per Offer Share (which is the mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK\$39.9 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$90.3 million (assuming an Offer Price of HK\$10.00 per Offer Share (which is the mid-point of the Offer Price Range) and the full payment of the discretionary incentive fee) and will be paid by the Company, save for such underwriting commissions, fees and expenses relating to the Offer Shares to be issued by the Company pursuant to the exercise of the Over-allotment Option will be borne by the Company.



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## UNDERWRITING

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### Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by them of the Hong Kong Underwriting Agreement.

### ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group’s loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

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## UNDERWRITING

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All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering.” Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Citigroup Global Markets Asia Limited and China Merchants Securities (HK) Co., Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue (including the Shares to be converted from the Class B Ordinary Shares and the Preferred Shares) and to be issued as mentioned in this prospectus.

118,703,000 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 11,871,000 Shares (subject to reallocation) in Hong Kong as described in “—The Hong Kong Public Offering” below; and
- (b) the International Offering of initially 106,832,000 Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “—The International Offering” below.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 10.00% of the total Shares in issue (including the Shares to be converted from the Class B Ordinary Shares and the Preferred Shares) immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 11.33% of the total Shares in issue (including the Shares to be converted from the Class B Ordinary Shares and the Preferred Shares) immediately following the completion of the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

The Company is initially offering 11,871,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.00% of the total Shares in issue (including the Shares to be converted from the Class B Ordinary Shares and the Preferred Shares) immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in “—Conditions of the Global Offering” below.

#### Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on

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## STRUCTURE OF THE GLOBAL OFFERING

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application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 5,935,500 Hong Kong Offer Shares is liable to be rejected.

### **Reallocation**

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 35,611,000 Offer Shares (in the case of (a)), 47,482,000 Offer Shares (in the case of (b)) and 59,352,000 Offer Shares (in the case of (c)), representing approximately 30%, approximately 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 23,742,000 Offer Shares, representing approximately 20% of the total number of Offer Shares initially available under the Global Offering), and the final Offer Price shall be fixed at the low-end of the indicative offer price range (i.e., HK\$8.50 per Offer Share) stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK\$11.50 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$5,807.95 for one board lot of 500 Shares. If the Offer Price, as finally determined in the manner described in “—Pricing and Allocation” below, is less than the Maximum Offer Price of HK\$11.50 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares.”

### THE INTERNATIONAL OFFERING

#### Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 106,832,000 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 9.00% of the total Shares in issue (including the Shares to be converted from the Class B Ordinary Shares and the Preferred Shares) immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

#### Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “—Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the

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## STRUCTURE OF THE GLOBAL OFFERING

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relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

### **Reallocation**

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “—The Hong Kong Public Offering—Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

### **OVER-ALLOTMENT OPTION**

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 17,805,500 additional Offer Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be sold pursuant thereto will represent approximately 1.48% of the total Shares in issue (including the Shares to be converted from the Class B Ordinary Shares and the Preferred Shares) immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

### **STABILIZATION**

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial



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## STRUCTURE OF THE GLOBAL OFFERING

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public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Sunday, August 5, 2018, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

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## STRUCTURE OF THE GLOBAL OFFERING

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- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

### Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

### STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 17,805,500 Shares (being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option) from Rising Sun, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or any person acting for it) and Rising Sun on or about the Price Determination Date.

If the Stock Borrowing Agreement with Rising Sun is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to Rising Sun or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Rising Sun by the Stabilizing Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

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## STRUCTURE OF THE GLOBAL OFFERING

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### PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Friday, July 6, 2018 and, in any event, no later than Thursday, July 12, 2018, by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$11.50 per Offer Share and is expected to be not less than HK\$8.50 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK\$11.50 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$5,807.95 for one board lot of 500 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Minimum Offer Price stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company and the Controlling Shareholders, reduce the number of Offer Shares offered and/or the Offer Price Range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at [www.u51.com](http://www.u51.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price Range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other

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## STRUCTURE OF THE GLOBAL OFFERING

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financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares—Publication of Results.”

### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “Underwriting.”

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue (including the Shares to be converted from the Class B Ordinary Shares and the Preferred Shares) and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- (b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

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## STRUCTURE OF THE GLOBAL OFFERING

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in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company on or before Thursday, July 12, 2018, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at [www.u51.com](http://www.u51.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares—Refund of Application Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Friday, July 13, 2018, provided that the Global Offering has become unconditional in all respects at or before that time.

### DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, July 13, 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, July 13, 2018.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 2051.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### A. APPLICATIONS FOR HONG KONG OFFER SHARES

#### 1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

#### 2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators, as the Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of the Company's subsidiaries;
- you are a director or chief executive of the Company and/or any of the Company's subsidiaries;
- you are a close associate (as defined in the Listing Rules) of any of the above persons;
- you are a connected person (as defined in the Listing Rules) of the Company or a person who will become a connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 3. Applying for Hong Kong Offer Shares

#### *Which Application Channel to Use*

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Where to Collect the Application Forms*

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, June 29, 2018 until 12:00 noon on Friday, July 6, 2018 from:

(a) **any of the following offices of the Hong Kong Underwriters:**

**China Merchants Securities (HK) Co., Limited**

48/F, One Exchange Square  
Central  
Hong Kong

**CLSA Limited**

18/F, One Pacific Place  
88 Queensway  
Hong Kong

**ABCI Securities Company Limited**

10/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

**BOCI Asia Limited**

26/F, Bank of China Tower  
1 Garden Road  
Central, Hong Kong

**BOCOM International Securities Limited**

9th Floor, Man Yee Building  
68 Des Voeux Road Central  
Central, Hong Kong

**CCB International Capital Limited**

12/F, CCB Tower  
3 Connaught Road Central  
Central, Hong Kong

**China Everbright Securities (HK) Limited**

24/F, Lee Garden One  
33 Hysan Avenue, Causeway Bay  
Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**Haitong International Securities Company Limited**

22/F Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**Silk Road International Capital Limited**

Room 2901, 29/F, Two IFC  
No. 8 Finance Street  
Central, Hong Kong

**Futu Securities International (Hong Kong) Limited**

11/F, Bangkok Bank Building  
18 Bonham Strand West  
Sheung Wan, Hong Kong

(b) any of the following branches of the receiving banks for the Hong Kong Public Offering:

**Bank of China (Hong Kong) Limited**

|                         | Branch Name             | Address                                             |
|-------------------------|-------------------------|-----------------------------------------------------|
| <b>Hong Kong Island</b> | Taikoo Shing Branch     | Shop G1006, Hoi Sing Mansion,<br>Taikoo Shing       |
| <b>Kowloon</b>          | Lam Tin Branch          | Shop 12, 49 Kai Tin Road, Lam<br>Tin                |
|                         | Jordan Road Branch      | 1/F, Sino Cheer Plaza, 23-29<br>Jordan Road         |
| <b>New Territories</b>  | Tuen Mun San Hui Branch | G13-G14 Eldo Court, Heung<br>Sze Wui Road, Tuen Mun |

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, June 29, 2018 until 12:00 noon on Friday, July 6, 2018 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Time for Lodging Application Forms*

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — 51 CREDIT CARD INC. PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above at the following times:

**Friday, June 29, 2018 — 9:00 a.m. to 5:00 p.m.**  
**Saturday, June 30, 2018 — 9:00 a.m. to 1:00 p.m.**  
**Tuesday, July 3, 2018 — 9:00 a.m. to 5:00 p.m.**  
**Wednesday, July 4, 2018 — 9:00 a.m. to 5:00 p.m.**  
**Thursday, July 5, 2018 — 9:00 a.m. to 5:00 p.m.**  
**Friday, July 6, 2018 — 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, July 6, 2018, the last day for applications, or such later time as described in "—Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

#### **4. Terms and Conditions of an Application**

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Law;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (f) agree that none of the Company, the Relevant Persons and the HK eIPO White Form Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- (h) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (o) authorize (i) the Company to place your name(s) or the name of HKSCC Nominees on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association of the Company and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “—Personal Collection” below to collect the Share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (q) understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that
  - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

### *Additional Instructions for YELLOW Application Forms*

You should refer to the **YELLOW** Application Form for details.

## 5. Applying Through the HK eIPO White Form Service

### *General*

Individuals who meet the criteria in “—Who Can Apply” above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the HK eIPO White Form Service Provider.

### *Time for Submitting Applications under the HK eIPO White Form Service*

You may submit your application through the **HK eIPO White Form** service through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, June 29, 2018 until 11:30 a.m. on Friday, July 6, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, July 6, 2018, the last day for applications, or such later time as described in “—Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

### *No Multiple Applications*

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO**

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**White Form** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

### *Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance*

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### *General*

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Centre 1/F,  
One & Two Exchange Square,  
8 Connaught Place, Central,  
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

### *Giving Electronic Application Instructions to HKSCC via CCASS*

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and
- (b) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
  - declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
  - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
  - authorize the Company to place HKSCC Nominees' name on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
- agree that neither the Company nor the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by the Company;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Law; and
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

### *Effect of Giving Electronic Application Instructions to HKSCC via CCASS*

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### *Minimum Purchase Amount and Permitted Numbers*

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Time for Inputting Electronic Application Instructions*

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, June 29, 2018 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>  
Tuesday, July 3, 2018 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>  
Wednesday, July 4, 2018 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>  
Thursday, July 5, 2018 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>  
Friday, July 6, 2018 — 8:00 a.m.<sup>(1)</sup> to 12:00 noon

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*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, June 29, 2018 until 12:00 noon on Friday, July 6, 2018 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, July 6, 2018, the last day for applications, or such later time as described in “—Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

### *No Multiple Applications*

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### *Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance*

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### *Personal Data*

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 7. Warning for Electronic Applications

The application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Relevant Persons and the HK eIPO White Form Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, July 6, 2018, the last day for applications, or such later time as described in “—Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

### 8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees”, you must include:

- an account number; or
- some other identification code.

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

**All** of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. How Much Are The Hong Kong Offer Shares

The Maximum Offer Price is HK\$11.50 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK\$5,807.95.

You must pay the Maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering—Pricing and Allocation.”

### 10. Effect of Bad Weather on the Opening and Closing of the Application Lists

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, July 6, 2018. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, July 6, 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” an announcement will be made.

### 11. Publication of Results

The Company expects to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Thursday, July 12, 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company at [www.u51.com](http://www.u51.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of the Company and the Stock Exchange at [www.u51.com](http://www.u51.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, by no later than Thursday, July 12, 2018;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID function” on a 24 hour basis from 8:00 a.m. on Thursday, July 12, 2018 to 12:00 midnight on Wednesday, July 18, 2018;
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, July 12, 2018 to Tuesday, July 17, 2018; and
- in the special allocation results booklets which will be available for inspection during the opening hours of the individual receiving bank branches referred to above from Thursday, July 12, 2018 to Saturday, July 14, 2018.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 12. Circumstances in which You will Not be Allocated Hong Kong Offer Shares

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

**(a) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- (i) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or
- (ii) if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

**(b) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(c) **If the allocation of Hong Kong Offer Shares is void:**

The allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) **If:**

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk);
- you apply for more than 5,935,500 Hong Kong Offer Shares, being 50% of the 11,871,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

### 13. **Refund of Application Monies**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in "Structure of the Global Offering—Conditions of the Global Offering" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Any refund of your application monies will be made on or before Thursday, July 12, 2018.

### 14. Despatch/Collection of Share Certificates/e-Auto Refund Payment Instructions/Refund Cheques

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) Share certificate(s) for all the Hong Kong Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Offer Shares allocated to you will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the Maximum Offer Price paid on application in the event that the Offer Price is less than the Maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but without interest).

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque.

Subject to arrangement on despatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Thursday, July 12, 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, July 13, 2018, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Share on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Personal Collection

(a) *If you apply using a **WHITE** Application Form:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, July 12, 2018, or any other place or date notified by the Company in the newspapers.
- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorized representative must provide a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
- If you do not personally collect your refund cheque(s) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be despatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Thursday, July 12, 2018 by ordinary post and at your own risk.

(b) *If you apply using a **YELLOW** Application Form:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on or before Thursday, July 12, 2018 by ordinary post and at your own risk.
- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Thursday, July 12, 2018 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.
- If you apply as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Thursday, July 12, 2018 in the manner as described in "—Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, July 12, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

(c) *If you apply through HK eIPO White Form service:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, July 12, 2018, or any other place or date notified by the Company in the newspapers as the date of despatch or collection of Share certificates.
- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, July 12, 2018 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(d) *If you apply by giving electronic application instructions to HKSCC via CCASS:*

*Allocation of Hong Kong Offer Shares*

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, July 12, 2018 or on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card /passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "—Publication of Results" above on Thursday, July 12, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, July 12, 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, July 12, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, July 12, 2018.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies 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 any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 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 51 CREDIT CARD INC. AND CITIGROUP GLOBAL MARKETS ASIA LIMITED AND CHINA MERCHANTS SECURITIES (HK) CO. LIMITED**

**Introduction**

We report on the historical financial information of 51 Credit Card Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-117, which comprises the consolidated statements of financial position as at December 31, 2015, 2016 and 2017, the company statement of financial position as at December 31, 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in deficit and the consolidated statements of cash flows for each of the years then ended (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-4 to I-117 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 29, 2018 (the "Prospectus") in connection with the initial 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 presentation and preparation set out in Notes 1.3 and 2.1 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*

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T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)*



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.

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 judgement, 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 presentation and preparation set out in Notes 1.3 and 2.1 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 at December 31, 2017 and the consolidated financial position of the Group as at December 31, 2015, 2016 and 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 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”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

#### ***Adjustments***

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

#### ***Dividends***

We refer to note 41 to the Historical Financial Information which states that no dividends have been paid by 51 Credit Card Inc. in respect of the Track Record Period.

*No statutory financial statements for the Company*

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong

June 29, 2018

**I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB") ("Underlying Financial Statements").

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

|                                                                              | Note | Year ended December 31, |                    |                    |
|------------------------------------------------------------------------------|------|-------------------------|--------------------|--------------------|
|                                                                              |      | 2015                    | 2016               | 2017               |
|                                                                              |      | RMB'000                 | RMB'000            | RMB'000            |
| Credit facilitation and service fee .....                                    | 5    | 16,751                  | 384,183            | 1,627,324          |
| Credit card technology service fee .....                                     |      | 45,005                  | 72,988             | 140,382            |
| Loan referral service fee .....                                              |      | 26,876                  | 65,376             | 189,327            |
| Other Revenue .....                                                          | 6    | 1,095                   | 48,499             | 311,547            |
| <b>Total revenue .....</b>                                                   |      | <b>89,727</b>           | <b>571,046</b>     | <b>2,268,580</b>   |
| Origination and servicing expenses .....                                     | 8    | (27,149)                | (148,834)          | (516,904)          |
| Sales and marketing expenses .....                                           | 8    | (136,430)               | (182,674)          | (614,406)          |
| General and administrative expenses .....                                    | 8    | (39,114)                | (75,379)           | (182,144)          |
| Research and development expenses .....                                      | 8    | (42,377)                | (112,415)          | (261,378)          |
| Other gains/(losses), net .....                                              | 12   | (10,608)                | 7,924              | 11,931             |
| <b>Total operating expenses .....</b>                                        |      | <b>(255,678)</b>        | <b>(511,378)</b>   | <b>(1,562,901)</b> |
| <b>Operating (loss)/profit .....</b>                                         |      | <b>(165,951)</b>        | <b>59,668</b>      | <b>705,679</b>     |
| Share of net losses of associates accounted for<br>using equity method ..... | 19   | (68)                    | (647)              | (1,465)            |
| Fair value loss of preferred shares .....                                    | 31   | (575,439)               | (743,997)          | (2,260,930)        |
| Extinguishment gain/(loss) of preferred shares ..                            | 31   | 14,711                  | (1,442,931)        | 242,462            |
| Finance expenses, net .....                                                  | 14   | (11,772)                | (64,698)           | (47,778)           |
| <b>Loss before income tax .....</b>                                          |      | <b>(738,519)</b>        | <b>(2,192,605)</b> | <b>(1,362,032)</b> |
| Income tax credit/(expense) .....                                            | 15   | 45,216                  | (38,837)           | (16,439)           |
| <b>Loss for the year .....</b>                                               |      | <b>(693,303)</b>        | <b>(2,231,442)</b> | <b>(1,378,471)</b> |
| <b>Loss for the year attributable to:</b>                                    |      |                         |                    |                    |
| - Owners of the Company .....                                                | 16   | (693,303)               | (2,231,442)        | (1,371,270)        |
| - Non-controlling interests .....                                            |      | —                       | —                  | (7,201)            |
|                                                                              |      | <u>(693,303)</u>        | <u>(2,231,442)</u> | <u>(1,378,471)</u> |
| <b>Other comprehensive income</b>                                            |      |                         |                    |                    |
| <i>Items that may not be reclassified to profit or<br/>loss</i>              |      |                         |                    |                    |
| Currency translation differences .....                                       |      | (41,586)                | (123,825)          | 98,004             |
| <b>Total comprehensive income for the year, net<br/>of tax .....</b>         |      | <b>(734,889)</b>        | <b>(2,355,267)</b> | <b>(1,280,467)</b> |
| <b>Total comprehensive income attributable to:</b>                           |      |                         |                    |                    |
| - Owners of the Company .....                                                |      | (734,889)               | (2,355,267)        | (1,274,250)        |
| - Non-controlling interests .....                                            |      | —                       | —                  | (6,217)            |
|                                                                              |      | <u>(734,889)</u>        | <u>(2,355,267)</u> | <u>(1,280,467)</u> |
| <b>Basic and diluted loss per share .....</b>                                | 16   | <b>(4.28)</b>           | <b>(13.66)</b>     | <b>(7.90)</b>      |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

|                                                                               |       | As at December 31, |           |           |
|-------------------------------------------------------------------------------|-------|--------------------|-----------|-----------|
|                                                                               | Note  | 2015               | 2016      | 2017      |
|                                                                               |       | RMB'000            | RMB'000   | RMB'000   |
| ASSETS                                                                        |       |                    |           |           |
| Non-current assets                                                            |       |                    |           |           |
| Property and equipment, net . . . . .                                         | 17    | 12,730             | 36,709    | 222,066   |
| Intangible assets . . . . .                                                   | 18    | —                  | 55,756    | 1,026,771 |
| Investments accounted for using equity method . .                             | 19    | 7,932              | 12,285    | 145,732   |
| Financial assets designated at fair value through<br>profit or loss . . . . . | 20    | —                  | 17,891    | 425,093   |
| Deferred income tax assets . . . . .                                          | 21    | 46,604             | 79,836    | 104,556   |
| Term deposits . . . . .                                                       | 27(c) | —                  | —         | 5,000     |
| Total non-current assets . . . . .                                            |       | 67,266             | 202,477   | 1,929,218 |
| Current assets                                                                |       |                    |           |           |
| Quality assurance fund receivable . . . . .                                   | 23    | 63,150             | 576,921   | 1,407,981 |
| Contract assets . . . . .                                                     | 24    | 18,138             | 1,567     | 22,692    |
| Trade receivables . . . . .                                                   | 25    | 11,309             | 35,193    | 59,957    |
| Prepayments and other receivables . . . . .                                   | 22    | 20,140             | 580,927   | 355,799   |
| Loans to customers, net . . . . .                                             | 26    | —                  | 196,954   | 948,987   |
| Financial assets designated at fair value through<br>profit or loss . . . . . | 20    | 15,000             | 89,187    | 334,471   |
| Restricted cash . . . . .                                                     | 27(b) | 15,095             | 298,213   | 1,407,491 |
| Cash and cash equivalents . . . . .                                           | 27(a) | 286,752            | 2,104,080 | 1,258,446 |
| Total current assets . . . . .                                                |       | 429,584            | 3,883,042 | 5,795,824 |
| Total assets . . . . .                                                        |       | 496,850            | 4,085,519 | 7,725,042 |

# APPENDIX I

# ACCOUNTANT'S REPORT

|                                                                         |       | As at December 31, |                    |                    |
|-------------------------------------------------------------------------|-------|--------------------|--------------------|--------------------|
|                                                                         | Note  | 2015               | 2016               | 2017               |
|                                                                         |       | RMB'000            | RMB'000            | RMB'000            |
| <b>DEFICIT AND LIABILITIES</b>                                          |       |                    |                    |                    |
| <b>Deficit</b>                                                          |       |                    |                    |                    |
| Share capital . . . . .                                                 | 28    | —                  | —                  | 20                 |
| Share premium . . . . .                                                 | 28    | —                  | —                  | 33,134             |
| Share held for employee incentive scheme . . . . .                      | 28    | —                  | —                  | (9)                |
| Reserves . . . . .                                                      | 29    | (31,790)           | (61,780)           | (214,433)          |
| Accumulated losses . . . . .                                            |       | (800,512)          | (3,031,954)        | (4,403,224)        |
| Non-controlling interests . . . . .                                     |       | —                  | —                  | 2,956              |
| <b>Total deficit . . . . .</b>                                          |       | <u>(832,302)</u>   | <u>(3,093,734)</u> | <u>(4,581,556)</u> |
| <b>Liabilities</b>                                                      |       |                    |                    |                    |
| <b>Non-current liabilities</b>                                          |       |                    |                    |                    |
| Long-term borrowings . . . . .                                          | 33    | —                  | —                  | 436,196            |
| Deferred income tax liabilities . . . . .                               | 21    | 903                | 4,881              | 176,886            |
| Preferred shares. . . . .                                               | 31    | —                  | 4,105,301          | 6,815,260          |
| Payable to trust senior tranche holders . . . . .                       | 26    | —                  | 160,000            | 950,000            |
| <b>Total non-current liabilities. . . . .</b>                           |       | <u>903</u>         | <u>4,270,182</u>   | <u>8,378,342</u>   |
| <b>Current liabilities</b>                                              |       |                    |                    |                    |
| Quality assurance fund payable . . . . .                                | 23    | 77,676             | 706,612            | 1,767,210          |
| Payable to platform customers. . . . .                                  | 27(b) | 11,572             | 86,140             | 656,422            |
| Contract liabilities. . . . .                                           | 24    | —                  | 30,973             | 49,714             |
| Preferred Shares . . . . .                                              | 31    | 1,182,588          | —                  | —                  |
| Payable to preferred shareholders . . . . .                             | 31    | —                  | 1,866,921          | 30,000             |
| Short-term borrowings. . . . .                                          | 33    | 20,000             | 33,000             | 257,057            |
| Trade and other payables. . . . .                                       | 34    | 35,931             | 138,054            | 963,351            |
| Income tax payable . . . . .                                            |       | 482                | 42,744             | 36,042             |
| Financial liabilities at fair value through<br>profit or loss . . . . . | 35    | —                  | 4,627              | 168,460            |
| <b>Total current liabilities . . . . .</b>                              |       | <u>1,328,249</u>   | <u>2,909,071</u>   | <u>3,928,256</u>   |
| <b>Total liabilities. . . . .</b>                                       |       | <u>1,329,152</u>   | <u>7,179,253</u>   | <u>12,306,598</u>  |
| <b>Total deficit and liabilities . . . . .</b>                          |       | <u>496,850</u>     | <u>4,085,519</u>   | <u>7,725,042</u>   |

## STATEMENT OF FINANCIAL POSITION — COMPANY

|                                                |       | As at December 31,<br>2017 |
|------------------------------------------------|-------|----------------------------|
|                                                | Note  | RMB'000                    |
| <b>ASSETS</b> .....                            |       |                            |
| <b>Non-current assets</b> .....                |       |                            |
| Investments in subsidiaries .....              | 38    | 337,447                    |
| Receivables from subsidiaries .....            |       | <u>6,180,820</u>           |
| <b>Total non-current assets</b> .....          |       | <u>6,518,267</u>           |
| <b>Current assets</b> .....                    |       |                            |
| Receivables from a shareholder .....           |       | 33,036                     |
| Cash and cash equivalents .....                | 27(a) | <u>300,946</u>             |
| <b>Total current assets</b> .....              |       | <u>333,982</u>             |
| <b>Total assets</b> .....                      |       | <u><u>6,852,249</u></u>    |
| <b>EQUITY AND LIABILITIES</b> .....            |       |                            |
| <b>Equity</b> .....                            |       |                            |
| Share capital .....                            | 28    | 20                         |
| Share premium .....                            | 28    | 33,134                     |
| Share held for employee incentive scheme ..... | 28    | (9)                        |
| Reserves .....                                 | 29    | <u>3,844</u>               |
| <b>Total equity</b> .....                      |       | <u><u>36,989</u></u>       |
| Preferred shares .....                         | 31    | <u>6,815,260</u>           |
| <b>Total non-current liabilities</b> .....     |       | <u><u>6,815,260</u></u>    |
| <b>Total equity and liabilities</b> .....      |       | <u><u>6,852,249</u></u>    |



## CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT

|                                                                             | Attributable to equity holders of the Company |               |                                          |                  |                    |                    |                           |
|-----------------------------------------------------------------------------|-----------------------------------------------|---------------|------------------------------------------|------------------|--------------------|--------------------|---------------------------|
|                                                                             | Share capital                                 | Share premium | Share held for employee incentive scheme | Reserves         | Accumulated losses | Sub-total          | Non-controlling interests |
|                                                                             |                                               |               |                                          |                  |                    |                    |                           |
|                                                                             |                                               |               |                                          |                  |                    |                    |                           |
|                                                                             | RMB'000                                       | RMB'000       | RMB'000                                  | RMB'000          | RMB'000            | RMB'000            | RMB'000                   |
|                                                                             | (Note 28)                                     |               |                                          |                  |                    |                    |                           |
| As at January 1, 2015 . . . . .                                             | —                                             | —             | —                                        | 955              | (107,209)          | (106,254)          | —                         |
| <b>Comprehensive income</b>                                                 |                                               |               |                                          |                  |                    |                    |                           |
| Loss for the year . . . . .                                                 | —                                             | —             | —                                        | —                | (693,303)          | (693,303)          | —                         |
| Currency translation differences . . . . .                                  | —                                             | —             | —                                        | (41,586)         | —                  | (41,586)           | —                         |
| <b>Total comprehensive income . . . . .</b>                                 | <b>—</b>                                      | <b>—</b>      | <b>—</b>                                 | <b>(41,586)</b>  | <b>(693,303)</b>   | <b>(734,889)</b>   | <b>—</b>                  |
| <b>Transactions with owners as their capacity as owners</b>                 |                                               |               |                                          |                  |                    |                    |                           |
| Capital contribution from preferred shareholders (Note 29) . . . . .        | —                                             | —             | —                                        | 4,170            | —                  | 4,170              | —                         |
| Share incentive awarded under share incentive plan . . . . .                | —                                             | —             | —                                        | 4,671            | —                  | 4,671              | —                         |
| <b>Total transactions with owners as their capacity as owners . . . . .</b> | <b>—</b>                                      | <b>—</b>      | <b>—</b>                                 | <b>8,841</b>     | <b>—</b>           | <b>8,841</b>       | <b>—</b>                  |
| As at December 31, 2015 . . . . .                                           | —                                             | —             | —                                        | (31,790)         | (800,512)          | (832,302)          | —                         |
| <b>Comprehensive income</b>                                                 |                                               |               |                                          |                  |                    |                    |                           |
| Loss for the year . . . . .                                                 | —                                             | —             | —                                        | —                | (2,231,442)        | (2,231,442)        | —                         |
| Currency translation differences . . . . .                                  | —                                             | —             | —                                        | (123,825)        | —                  | (123,825)          | —                         |
| <b>Total comprehensive income . . . . .</b>                                 | <b>—</b>                                      | <b>—</b>      | <b>—</b>                                 | <b>(123,825)</b> | <b>(2,231,442)</b> | <b>(2,355,267)</b> | <b>—</b>                  |
| <b>Transactions with owners as their capacity as owners</b>                 |                                               |               |                                          |                  |                    |                    |                           |
| Issuance of warrants (Note 32) . . . . .                                    | —                                             | —             | —                                        | 66,924           | —                  | 66,924             | —                         |
| Share options awarded under share incentive plan . . . . .                  | —                                             | —             | —                                        | 26,911           | —                  | 26,911             | —                         |
| <b>Total transactions with owners as their capacity as owners . . . . .</b> | <b>—</b>                                      | <b>—</b>      | <b>—</b>                                 | <b>93,835</b>    | <b>—</b>           | <b>93,835</b>      | <b>—</b>                  |
| As at December 31, 2016 . . . . .                                           | —                                             | —             | —                                        | (61,780)         | (3,031,954)        | (3,093,734)        | —                         |

|                                                                                  | Attributable to equity holders of the Company |               |                                          |                  |                    |                    |                           |                    |
|----------------------------------------------------------------------------------|-----------------------------------------------|---------------|------------------------------------------|------------------|--------------------|--------------------|---------------------------|--------------------|
|                                                                                  | Share capital                                 | Share premium | Share held for employee incentive scheme | Reserves         | Accumulated losses | Sub-total          | Non-controlling interests | Total              |
|                                                                                  | RMB'000<br>(Note 28)                          | RMB'000       | RMB'000                                  | RMB'000          | RMB'000            | RMB'000            | RMB'000                   | RMB'000            |
| <b>Comprehensive income</b>                                                      |                                               |               |                                          |                  |                    |                    |                           |                    |
| Loss for the year . . . . .                                                      | —                                             | —             | —                                        | —                | (1,371,270)        | (1,371,270)        | (7,201)                   | (1,378,471)        |
| Currency translation differences . . . . .                                       | —                                             | —             | —                                        | 98,004           | —                  | 98,004             | —                         | 98,004             |
| <b>Total comprehensive income . . . . .</b>                                      | <b>—</b>                                      | <b>—</b>      | <b>—</b>                                 | <b>98,004</b>    | <b>(1,371,270)</b> | <b>(1,273,266)</b> | <b>(7,201)</b>            | <b>(1,280,467)</b> |
| <b>Transactions with owners as their capacity as owners . . . . .</b>            |                                               |               |                                          |                  |                    |                    |                           |                    |
| Issuance of ordinary shares (note 28) . . . . .                                  | 11                                            | 33,134        | —                                        | —                | —                  | 33,145             | —                         | 33,145             |
| Issuance of shares held for employee incentive scheme (note 28) . . . . .        | 9                                             | —             | (9)                                      | —                | —                  | —                  | —                         | —                  |
| Exercise of warrants (note 32) . . . . .                                         | —                                             | —             | —                                        | (294,454)        | —                  | (294,454)          | —                         | (294,454)          |
| Share incentive awarded under share incentive plan . . . . .                     | —                                             | —             | —                                        | 43,900           | —                  | 43,900             | —                         | 43,900             |
| Ordinary share transferred to Class B ordinary share (note 29) . . . . .         | —                                             | —             | —                                        | (103)            | —                  | (103)              | —                         | (103)              |
| Non-controlling interests arising from business combinations (note 40) . . . . . | —                                             | —             | —                                        | —                | —                  | —                  | 10,157                    | 10,157             |
| <b>Total transactions with owners as their capacity as owners . . . . .</b>      | <b>20</b>                                     | <b>33,134</b> | <b>(9)</b>                               | <b>(250,657)</b> | <b>—</b>           | <b>(217,512)</b>   | <b>10,157</b>             | <b>(207,355)</b>   |
| <b>As at December 31, 2017 . . . . .</b>                                         | <b>20</b>                                     | <b>33,134</b> | <b>(9)</b>                               | <b>(214,433)</b> | <b>(4,403,224)</b> | <b>(4,584,512)</b> | <b>2,956</b>              | <b>(4,581,556)</b> |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

|                                                                                     | Note | Year ended December 31, |                  |                    |
|-------------------------------------------------------------------------------------|------|-------------------------|------------------|--------------------|
|                                                                                     |      | 2015                    | 2016             | 2017               |
|                                                                                     |      | RMB'000                 | RMB'000          | RMB'000            |
| <b>Operating activities</b>                                                         |      |                         |                  |                    |
| Cash used in operations . . . . .                                                   |      | (138,485)               | (6,358)          | (23,336)           |
| Income tax paid. . . . .                                                            |      | —                       | (28,018)         | (7,698)            |
| <b>Net cash used in operating activities. . . . .</b>                               | 37   | <u>(138,485)</u>        | <u>(34,376)</u>  | <u>(31,034)</u>    |
| <b>Investing activities</b>                                                         |      |                         |                  |                    |
| Investments in associates accounted for using equity method . . . . .               |      | (8,000)                 | (5,000)          | (95,769)           |
| Investment in term deposit . . . . .                                                |      | —                       | —                | (5,000)            |
| Proceeds from disposal of associate accounted for using the equity method . . . . . |      | —                       | —                | 1,250              |
| Investments in debt host securities . . . . .                                       |      | —                       | (25,411)         | (146,601)          |
| Proceeds from disposal of debt host securities. . .                                 |      | —                       | 36,406           | —                  |
| Investments in equity host securities . . . . .                                     |      | —                       | (200)            | (12,032)           |
| Investments in investment fund (Note 20(b)). . . .                                  |      | —                       | —                | (51,390)           |
| Investments in wealth management products . . . .                                   |      | (57,026)                | (1,250,223)      | (6,332,530)        |
| Proceeds from disposal of wealth management products. . . . .                       |      | 42,026                  | 1,176,036        | 6,087,245          |
| Proceeds from wealth management products . . . .                                    |      | 59                      | 5,283            | 12,027             |
| Decrease in restricted cash in forward foreign exchange contracts. . . . .          |      | —                       | —                | 110,163            |
| Increase in restricted cash in forward foreign exchange contracts. . . . .          |      | —                       | (95,473)         | (32,400)           |
| Purchases of property and equipment. . . . .                                        |      | (15,111)                | (36,420)         | (238,636)          |
| Purchases of intangible assets . . . . .                                            |      | —                       | (2,405)          | (6,825)            |
| Acquisition of subsidiaries and other business entities, net . . . . .              |      | —                       | (49,923)         | (137,900)          |
| Increase in restricted cash in acquisition of subsidiaries . . . . .                |      | —                       | —                | (417,545)          |
| <b>Net cash used in investing activities . . . . .</b>                              |      | <u>(38,052)</u>         | <u>(247,330)</u> | <u>(1,265,943)</u> |

|                                                                                | Note | Year ended December 31, |                         |                         |
|--------------------------------------------------------------------------------|------|-------------------------|-------------------------|-------------------------|
|                                                                                |      | 2015                    | 2016                    | 2017                    |
|                                                                                |      | RMB'000                 | RMB'000                 | RMB'000                 |
| <b>Financing activities</b>                                                    |      |                         |                         |                         |
| Proceeds from issuance of convertible<br>redeemable preferred shares . . . . . |      | 440,911                 | 2,137,580               | 1,029,961               |
| Proceeds from borrowings . . . . .                                             |      | 20,000                  | 33,000                  | 1,019,747               |
| Repayment of borrowings . . . . .                                              |      | —                       | (24,902)                | (399,029)               |
| Cash received from trust senior tranche holders .                              |      | —                       | 160,000                 | 950,000                 |
| Cash paid to trust senior tranche holders . . . . .                            |      | —                       | —                       | (160,000)               |
| Interests paid to trust senior tranche holders . . . .                         |      | —                       | (6,312)                 | (43,993)                |
| Redemption of preferred shares . . . . .                                       |      | —                       | (207,036)               | (1,866,921)             |
| Repurchase of restricted shares and ordinary<br>shares . . . . .               |      | (13,486)                | —                       | —                       |
| Cash paid in connection with the Reorganization.                               |      | —                       | —                       | (51,690)                |
| <b>Net cash generated from financing activities . .</b>                        |      | <u>447,425</u>          | <u>2,092,330</u>        | <u>478,075</u>          |
| Effect of exchange rate changes on cash and<br>cash equivalents . . . . .      |      | 4,223                   | 6,704                   | (26,732)                |
| Net increase/(decrease) in cash and cash<br>equivalents . . . . .              |      | 275,111                 | 1,817,328               | (845,634)               |
| Cash and cash equivalents at beginning of year . .                             |      | <u>11,641</u>           | <u>286,752</u>          | <u>2,104,080</u>        |
| <b>Cash and cash equivalents at end of year . . . .</b>                        |      | <u><u>286,752</u></u>   | <u><u>2,104,080</u></u> | <u><u>1,258,446</u></u> |

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1 General information, reorganization and basis of presentation****1.1 General information**

51 Credit Card Inc. (the “Company”) was incorporated in the Cayman Islands on September 21, 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is at the office of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in providing one-stop personal financial services covering personal credit management, credit card technology services, and online credit facilitation and investment services (the “Listing Business”) in the People’s Republic of China (“China”, or the “PRC”).

**1.2 History and reorganization of the Group**

During the Track Record Period, the Listing Business is mainly operated by 5 operating entities and their subsidiaries (the “PRC Operating Entities”), namely, (i) Hangzhou Enniu Network Technology Co., Ltd. (杭州恩牛網絡技術有限公司, “Enniu Network”), (ii) Beijing Dingli Chuangshi Technology Co., Ltd. (北京鼎力創世科技有限公司, “Dingli Technology”), (iii) Hangzhou Yeniu Asset Management Co., Ltd. (杭州也牛資產管理有限公司, “Yeniu Asset Management”), (iv) Hangzhou Yiniu Network Technology Co., Ltd. (杭州義牛網絡技術有限公司, “Yiniu Network”) and (v) Fuzhou Enniu Network Micro Loan Co., Ltd. (撫州市恩牛網絡小額貸款有限公司, “Fuzhou Enniu Microcredit”).

On January 8, 2015, U51.com Inc., an exempted company with limited liability incorporated in the Cayman Islands has become the ultimate holding company of the Listing Business through a series of contractual agreements. From February 2016 to November 2016, the then shareholders of U51.com Inc. agreed to undergo a restructuring pursuant to which (i) Enniu Network and other PRC Operating Entities terminated all the relevant contractual agreements and ceased to be subsidiaries of U51.com Inc.; (ii) Enniu Network acquired the entire interests of other PRC Operating Entities; and (iii) the then shareholders of U51.com Inc. or their affiliates invested directly in Enniu Network based on their initial investment and relative interests in U51.com Inc..

For the purpose of preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a group reorganisation in November 2017 (the “Reorganization”).

Pursuant to a series of contractual agreements dated November 23, 2017, Hangzhou Zhenniu Information Technology Co., Ltd. (杭州振牛信息科技有限公司, “Zhenniu Information”) is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of Enniu Network. Accordingly, Enniu Network is treated as a controlled structured entity of the Company and is consolidated by the Company.

Pursuant to the Reorganisation, the Company issued shares at par value of US\$0.0001 each to the then shareholders of Enniu Network based on their relative interests in Enniu Network. Upon completion of the Reorganisation, the then shareholders of Enniu Network became the shareholders of the Company and the Company became the ultimate holding company of the companies now comprising the Group.

(a) Particulars of the principal subsidiaries of the Group as at the date of this report and during the Track Record Period are set out below:

| Company name                                                   | Place of incorporation | Date of incorporation | Registered capital | Percentage of attributable equity interest |         |                               |                                                           | Statutory auditors                  |                                     |                                                    |
|----------------------------------------------------------------|------------------------|-----------------------|--------------------|--------------------------------------------|---------|-------------------------------|-----------------------------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------|
|                                                                |                        |                       |                    | As at December 31,                         |         | As at the date of this report | Principal activities                                      | 2015                                | 2016                                | 2017                                               |
|                                                                |                        |                       |                    | 2015                                       | 2016    |                               |                                                           |                                     |                                     |                                                    |
| Beijing Jianguo Credit Management Co., Ltd.                    | the PRC                | October 9, 2015       | RMB50,000,000      | —                                          | 100.00% | 100.00%                       | Development and operation of apps                         | Not applicable                      | Not applicable                      | Ruihua Certified Public Accountants                |
| Beijing Jiujiu Fenqi Technology Co., Ltd.                      | the PRC                | February 16, 2016     | US\$100,000        | —                                          | 100.00% | 100.00%                       | Technology services                                       | Not applicable                      | Not applicable                      | Not applicable                                     |
| Beijing Shouhui Kaizhuo Technology Co., Ltd.                   | the PRC                | May 12, 2006          | RMB58,874,23       | —                                          | —       | 100.00%                       | Technology services                                       | Da Hua Certified Public Accountants | Ruihua Certified Public Accountants | BDO China Shu Lun Pan Certified Public Accountants |
| Beijing Shouhui Shidai Information Technology Co., Ltd.        | the PRC                | May 14, 2012          | RMB10,000,000      | —                                          | —       | 100.00%                       | Technology services                                       | Da Hua Certified Public Accountants | Ruihua Certified Public Accountants | BDO China Shu Lun Pan Certified Public Accountants |
| Beijing Yuhui Shidai Information Consulting Co., Ltd.          | the PRC                | August 28, 2009       | RMB100,000,000     | —                                          | —       | 100.00%                       | Technology services                                       | Da Hua Certified Public Accountants | Ruihua Certified Public Accountants | BDO China Shu Lun Pan Certified Public Accountants |
| Beijing Yaku Shikong Information Exchange Technology Co., Ltd. | the PRC                | March 23, 2005        | RMB100,000,000     | —                                          | —       | 100.00%                       | Prepaid card issuance and acceptance and internet payment | Da Hua Certified Public Accountants | Ruihua Certified Public Accountants | BDO China Shu Lun Pan Certified Public Accountants |
| China Netcom Technology Holdings Limited                       | the Cayman Islands     | November 11, 1999     | HK\$110,000,000    | —                                          | —       | 39.28%                        | Investment holding                                        | HLB Hodgson Impey Cheng Limited     | HLB Hodgson Impey Cheng Limited     | HLB Hodgson Impey Cheng Limited                    |



(a) Particulars of the principal subsidiaries of the Group as at the date of this report and during the Track Record Period are set out below:  
(Continued)

| Percentage of attributable equity interest                        |                        |                       |                    |                    |         |         |                               |                                             |                                            |                                     |                                     |
|-------------------------------------------------------------------|------------------------|-----------------------|--------------------|--------------------|---------|---------|-------------------------------|---------------------------------------------|--------------------------------------------|-------------------------------------|-------------------------------------|
| Company name                                                      | Place of incorporation | Date of incorporation | Registered capital | As at December 31, |         |         | As at the date of this report | Principal activities                        | Statutory auditors                         |                                     |                                     |
|                                                                   |                        |                       |                    | 2015               | 2016    | 2017    |                               |                                             | 2015                                       | 2016                                | 2017                                |
|                                                                   |                        |                       |                    |                    |         |         |                               |                                             |                                            |                                     |                                     |
| Daqing Liniu Information Technology Consulting Services Co., Ltd. | the PRC                | March 1, 2017         | RMB1,000,000       | —                  | —       | 100.00% | 100.00%                       | Loan collection services                    | Not applicable                             | Not applicable                      | Ruihua Certified Public Accountants |
| Dingli Technology                                                 | the PRC                | April 14, 2014        | RMB25,000,000      | —                  | 100.00% | 100.00% | 100.00%                       | Development and operation of apps           | Ruihua Certified Public Accountants        | Ruihua Certified Public Accountants | Ruihua Certified Public Accountants |
| Hangzhou Enniu Internet Financial Services Co., Ltd.              | the PRC                | November 26, 2014     | RMB20,000,000      | 100.00%            | 100.00% | 100.00% | —                             | Development and operation of apps           | Pan-China Certified Public Accountants LLP | Ruihua Certified Public Accountants | Not applicable                      |
| Enniu Network                                                     | the PRC                | August 2, 2012        | RMB235,797,623     | 100.00%            | 100.00% | 100.00% | 100.00%                       | Development and operation of apps           | Pan-China Certified Public Accountants LLP | Ruihua Certified Public Accountants | Ruihua Certified Public Accountants |
| Fuzhou Enniu Microcredit                                          | the PRC                | June 23, 2017         | RMB200,000,000     | —                  | —       | 100.00% | 100.00%                       | Micro loan services                         | Not applicable                             | Not applicable                      | Ruihua Certified Public Accountants |
| Hangzhou Duijiaoshou Technology Co., Ltd.                         | the PRC                | May 25, 2017          | RMB5,000,000       | —                  | —       | 81.67%  | 81.67%                        | Technology services and industry investment | Not applicable                             | Not applicable                      | Ruihua Certified Public Accountants |
| Hangzhou Jinlu Network Technology Co., Ltd.                       | the PRC                | May 23, 2016          | RMB20,000,000      | —                  | 100.00% | 100.00% | 100.00%                       | Operation of fund sales                     | Not applicable                             | Ruihua Certified Public Accountants | Ruihua Certified Public Accountants |
| Hangzhou Liniu Assets Management Co., Ltd.                        | the PRC                | April 22, 2016        | RMB5,000,000       | —                  | 100.00% | 100.00% | 100.00%                       | Post-loan management                        | Not applicable                             | Ruihua Certified Public Accountants | Ruihua Certified Public Accountants |

(a) Particulars of the principal subsidiaries of the Group as at the date of this report and during the Track Record Period are set out below:  
(Continued)

| Percentage of attributable equity interest                                         |                        |                       |                    |                    |         |         |                               |         |                                   |                                            |                                     |                                     |
|------------------------------------------------------------------------------------|------------------------|-----------------------|--------------------|--------------------|---------|---------|-------------------------------|---------|-----------------------------------|--------------------------------------------|-------------------------------------|-------------------------------------|
| Company name                                                                       | Place of incorporation | Date of incorporation | Registered capital | As at December 31, |         |         | As at the date of this report |         | Principal activities              | Statutory auditors                         |                                     |                                     |
|                                                                                    |                        |                       |                    | 2015               | 2016    | 2017    | 2015                          | 2017    |                                   | 2015                                       | 2016                                | 2017                                |
|                                                                                    |                        |                       |                    |                    |         |         |                               |         |                                   |                                            |                                     |                                     |
| Hangzhou Shangniu Information Technology Co., Ltd.                                 | the PRC                | March 16, 2016        | RMB10,000,000      | —                  | 100.00% | 100.00% | 100.00%                       | 100.00% | Development and operation of apps | Not applicable                             | Ruihua Certified Public Accountants | Ruihua Certified Public Accountants |
| Hangzhou Shangniu Investment Management Partnership (Limited Partnership) (Note a) | the PRC                | May 19, 2017          | RMB5,000,000       | —                  | —       | 26.60%  | 26.60%                        | 26.60%  | Investment management             | Not applicable                             | Not applicable                      | Ruihua Certified Public Accountants |
| Hangzhou Shangniu Network Technology Co., Ltd.                                     | the PRC                | December 12, 2014     | RMB3,125,000       | 100.00%            | 100.00% | 100.00% | 100.00%                       | 100.00% | Technology services               | Pan-China Certified Public Accountants LLP | Ruihua Certified Public Accountants | Ruihua Certified Public Accountants |
| Hangzhou Wuyao Technology Co., Ltd.                                                | the PRC                | July 25, 2014         | RMB50,000,000      | 100.00%            | 100.00% | 100.00% | 100.00%                       | 100.00% | Development and operation of apps | Pan-China Certified Public Accountants LLP | Ruihua Certified Public Accountants | Ruihua Certified Public Accountants |
| Hangzhou Xingniu Information Technology Co., Ltd.                                  | the PRC                | October 20, 2017      | RMB1,000,000       | —                  | —       | 100.00% | 100.00%                       | 100.00% | Technology services               | Not applicable                             | Not applicable                      | Not applicable                      |
| Zhenniu Information                                                                | the PRC                | November 16, 2017     | RMB1,000,000,000   | —                  | —       | 100.00% | 100.00%                       | 100.00% | Technology services               | Not applicable                             | Not applicable                      | Not applicable                      |

*Note a:* According to the Partnership Agreement and its supplementary agreements, Hangzhou Shangniu Investment Management Partnership (Limited Partnership) (the “Partnership”) was to finance the acquisition of Beijing Shouhui Kaizhuo Technology Co., Ltd.. The Group has entered into a repurchase agreement with the other two limited partners that the Group will repurchase all the partnership interests held by them in four years with an interest rate at approximately 8% per annum so that the capital injections of the other two limited partners were classified as liabilities. In addition, the general partner (“GP”) of the Partnership is a wholly owned subsidiary of the Company, namely Hangzhou Shangniu Information Technology Co., Ltd.. The investment strategy of the Partnership was determined by the GP. The majority variable return of the Partnership belongs to the Group as the other two limited partners only have the fixed return and the rights belonging to the other two limited partners in the Partnership Agreement were more in protective nature. Accordingly, the Group controlled the Partnership according to IFRS 10.

(a) Particulars of the principal subsidiaries of the Group as at the date of this report and during the Track Record Period are set out below:  
(Continued)

| Company name                                                            | Place of incorporation | Date of incorporation | Registered capital | Percentage of attributable equity interest |         |         |                               |                                | Principal activities | Statutory auditors                                     |                |                |      |      |      |
|-------------------------------------------------------------------------|------------------------|-----------------------|--------------------|--------------------------------------------|---------|---------|-------------------------------|--------------------------------|----------------------|--------------------------------------------------------|----------------|----------------|------|------|------|
|                                                                         |                        |                       |                    | As at December 31,                         |         |         | As at the date of this report |                                |                      | 2015                                                   | 2016           | 2017           | 2015 | 2016 | 2017 |
|                                                                         |                        |                       |                    | 2015                                       | 2016    | 2017    | 2015                          | 2016                           |                      |                                                        |                |                |      |      |      |
| Hangzhou Zunniu Investment Management Partnership (Limited Partnership) | the PRC                | June 3, 2015          | RMB20,000,000      | —                                          | 99.00%  | —       | —                             | Investment management          | Not applicable       | Not applicable                                         | Not applicable | Not applicable |      |      |      |
| Kebeisi Network Technology (Hangzhou) Co., Ltd.                         | the PRC                | December 12, 2014     | RMB343,672,449     | 100.00%                                    | 100.00% | —       | —                             | Technology services            | Not applicable       | Zhejiang Yaixin Certified Public Accountants Co., Ltd. | Not applicable | Not applicable |      |      |      |
| Pingxiang Yigenniu Asset Management Partnership (Limited Partnership)   | the PRC                | January 29, 2016      | RMB60,307          | —                                          | 100.00% | 100.00% | 100.00%                       | Employees' incentive operation | Not applicable       | Not applicable                                         | Not applicable | Not applicable |      |      |      |
| Pingxiang Yijinniu Asset Management Partnership (Limited Partnership)   | the PRC                | January 26, 2017      | RMB60,307          | —                                          | 100.00% | 100.00% | 100.00%                       | Employees' incentive operation | Not applicable       | Not applicable                                         | Not applicable | Not applicable |      |      |      |
| Pingxiang Yimengniu Asset Management Partnership (Limited Partnership)  | the PRC                | January 29, 2016      | RMB60,307          | —                                          | 100.00% | 100.00% | 100.00%                       | Employees' incentive operation | Not applicable       | Not applicable                                         | Not applicable | Not applicable |      |      |      |
| Pingxiang Yiniu Asset Management Partnership (Limited Partnership)      | the PRC                | January 28, 2016      | RMB60,307          | —                                          | 100.00% | 100.00% | 100.00%                       | Employees' incentive operation | Not applicable       | Not applicable                                         | Not applicable | Not applicable |      |      |      |

(a) Particulars of the principal subsidiaries of the Group as at the date of this report and during the Track Record Period are set out below: (Continued)

| Percentage of attributable equity interest                                         |                        |                       |                    |                    |         |         |                               |         |                                            |                                                              |                                                                      |                                     |
|------------------------------------------------------------------------------------|------------------------|-----------------------|--------------------|--------------------|---------|---------|-------------------------------|---------|--------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------|
| Company name                                                                       | Place of incorporation | Date of incorporation | Registered capital | As at December 31, |         |         | As at the date of this report |         | Principal activities                       | Statutory auditors                                           |                                                                      |                                     |
|                                                                                    |                        |                       |                    | 2015               | 2016    | 2017    | 2017                          | 2015    |                                            | 2016                                                         | 2017                                                                 |                                     |
| Shanghai Jingjia Network Technology Co., Ltd.                                      | the PRC                | December 17, 2010     | RMB400,000,000     | —                  | 100.00% | 100.00% | 100.00%                       | 100.00% | Development and operation of apps          | Zhejiang Yaoxin Certified Public Accountants Co., Ltd.       | Ruihua Certified Public Accountants                                  | Ruihua Certified Public Accountants |
| Shanghai Qiantian Information Technology Co., Ltd.                                 | the PRC                | May 27, 2009          | RMB5,000,000       | —                  | —       | 100.00% | 100.00%                       | 100.00% | Technology services                        | Not applicable                                               | Not applicable                                                       | Not applicable                      |
| Shanghai Qingniu Business Information Consulting Partnership (Limited Partnership) | the PRC                | September 18, 2013    | RMB200,000         | 100.00%            | 100.00% | 100.00% | 100.00%                       | 100.00% | Employees' incentive operation             | Not applicable                                               | Not applicable                                                       | Not applicable                      |
| Shanghai Wuniu Network Technology Co., Ltd.                                        | the PRC                | December 14, 2015     | RMB150,000,000     | 100.00%            | 100.00% | 100.00% | 100.00%                       | 100.00% | Investment holding and industry investment | Not applicable                                               | Ruihua Certified Public Accountants                                  | Ruihua Certified Public Accountants |
| ShenZhen Zhong Rong Insurance Brokers Co., Ltd.                                    | the PRC                | October 28, 2003      | RMB50,000,000      | —                  | —       | 95.00%  | 95.00%                        | 95.00%  | Insurance broking                          | Shenzhen Huilong Certified Accountants (General Partnership) | Shenzhen Puruihua Certified Public Accountants (General Partnership) | Ruihua Certified Public Accountants |
| Yeniu Asset Management                                                             | the PRC                | February 24, 2016     | RMB100,000,000     | —                  | 100.00% | 100.00% | 100.00%                       | 100.00% | Credit facilitation service                | Not applicable                                               | Ruihua Certified Public Accountants                                  | Ruihua Certified Public Accountants |
| Yiniu Network                                                                      | the PRC                | May 5, 2015           | RMB50,000,000      | 100.00%            | 100.00% | 100.00% | 100.00%                       | 100.00% | Development and operation of apps          | Zhejiang Yaoxin Certified Public Accountants Co., Ltd.       | Ruihua Certified Public Accountants                                  | Ruihua Certified Public Accountants |

(a) Particulars of the principal subsidiaries of the Group as at the date of this report and during the Track Record Period are set out below: (Continued)

| Company name                     | Place of incorporation         | Date of incorporation | Registered capital | Percentage of attributable equity interest |         |                               |         | Principal activities           | Statutory auditors |                |                |
|----------------------------------|--------------------------------|-----------------------|--------------------|--------------------------------------------|---------|-------------------------------|---------|--------------------------------|--------------------|----------------|----------------|
|                                  |                                |                       |                    | As at December 31,                         |         | As at the date of this report |         |                                | 2015               | 2016           | 2017           |
|                                  |                                |                       |                    | 2015                                       | 2016    | 2017                          | 2017    |                                |                    |                |                |
| U51.com Inc.                     | the Cayman Islands             | August 8, 2014        | US\$50,000         | 100.00%                                    | 100.00% | 100.00%                       | 100.00% | Investment holding             | Not applicable     | Not applicable | Not applicable |
| U51.com Limited                  | Hong Kong ("HK")               | August 15, 2014       | HK\$1              | 100.00%                                    | 100.00% | 100.00%                       | 100.00% | Investment holding             | Not applicable     | Not applicable | Not applicable |
| 51 Award Limited                 | British Virgin Islands ("BVI") | February 27, 2017     | US\$1              | —                                          | —       | 100.00%                       | 100.00% | Employees' incentive operation | Not applicable     | Not applicable | Not applicable |
| 51 Credit Card (China) Limited   | HK                             | October 13, 2017      | HK\$1              | —                                          | —       | 100.00%                       | 100.00% | Investment holding             | Not applicable     | Not applicable | Not applicable |
| 51RENPIN.COM Inc.                | BVI                            | January 7, 2016       | US\$50,000         | —                                          | 100.00% | 100.00%                       | 100.00% | Investment holding             | Not applicable     | Not applicable | Not applicable |
| 51RenPin.Com (Hong Kong) Limited | HK                             | January 14, 2016      | HK\$1              | —                                          | 100.00% | 100.00%                       | 100.00% | Investment holding             | Not applicable     | Not applicable | Not applicable |
| 51 Stock Limited                 | BVI                            | August 2, 2017        | US\$1              | —                                          | —       | 100.00%                       | 100.00% | Employees' incentive operation | Not applicable     | Not applicable | Not applicable |

The English names of the 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) Consolidated structured entities material to the Group as at the date of this report and during the Track Record Period are set out below:

| Name                                                                                         | Collective holding by the Group |        |        |                                  | Product scale      |             |             |                                  | Principal activities                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------|---------------------------------|--------|--------|----------------------------------|--------------------|-------------|-------------|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                              | As at December 31,              |        |        | As at the date<br>of this report | As at December 31, |             |             | As at the date<br>of this report |                                                                                                                                                                                                     |
|                                                                                              | 2015                            | 2016   | 2017   |                                  | 2015               | 2016        | 2017        |                                  |                                                                                                                                                                                                     |
| Bohai trust & JD.com 51<br>Repindai FY2016 No.1<br>assembled trust plan                      | —                               | 20.00% | 20.00% | —                                | —                  | 200,000,000 | 40,000,000  | —                                | According to the wishes of all the principals,<br>issuing trust loans to borrowers recommended by<br>a service vendor, which is agreed or endorsed by<br>principals/beneficiaries.                  |
| Bohai trust & JD.com 51<br>Repindai FY2017 No.1<br>asset-backed securitization<br>trust plan | —                               | —      | 10.00% | 37.70%                           | —                  | —           | 500,000,000 | 132,640,784                      | According to the wishes of all the principals,<br>issuing trust loans to borrowers recommended by<br>a service vendor, which is agreed or endorsed by<br>principals/beneficiaries.                  |
| Bohai trust & China Securities<br>Credit Investment 51<br>Repindai No.1 single trust<br>plan | —                               | —      | —      | —                                | —                  | —           | 500,000,000 | 298,013,854                      | The trust shall, according to the wishes of all the<br>principals, issuing trust loans to borrowers<br>recommended by a service vendor, which is<br>agreed or endorsed by principals/beneficiaries. |

### **1.3 Basis of presentation**

Immediately prior to and after the Reorganisation as well as the restructurings as discussed in Note 1.2, the Listing Business was carried out by Enniu Network and its subsidiaries. Upon the completion of the Reorganisation, the Company has become the holding company of Enniu Network. The Company has not involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management and the owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under Enniu Network and the Historical Financial Statements have been prepared on a combined basis and is presented using the respective carrying values of the companies now comprising the Group for all periods presented.

Inter-company transactions, balances and unrealized gains/losses on transactions between the group companies are eliminated on consolidation.

## **2 Summary of significant accounting policies**

### **2.1 Basis of preparation and statement of compliance**

The Historical Financial Information of the Group has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”). The Historical Financial Information of the Group has been prepared under the historical cost convention, as modified by the revaluation of financial instruments at fair value through profit or loss. The preparation of Historical Financial Information of the Group in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3 below.

#### ***Changes in accounting policy and disclosures***

##### ***(i) New standard early adopted by the Group***

##### ***IFRS 15: Revenue from Contracts with Customers***

IFRS 15, ‘Revenue from contracts with customers’ replaces the previous revenue standards IAS 18 ‘Revenue’ and IAS 11 ‘Construction Contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has elected to early apply IFRS 15 and consistently applied in the Track Record Period.

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an ‘earnings



processes' to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers (Note 2.27).

(ii) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at January 1, 2017 and have not been early adopted by the Group.

| Standards                                                     | Key requirements                                                                                   | Effective for accounting periods<br>beginning on or after |
|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| Amendments to IAS 28 . . . . .                                | IASB Annual Improvements<br>2014 — 2016 cycle                                                      | January 1, 2018                                           |
| Amendments to IAS 40 . . . . .                                | Transfers of Investment<br>Property                                                                | January 1, 2018                                           |
| Amendments to IFRS 2 . . . . .                                | Share — based Payment                                                                              | January 1, 2018                                           |
| IFRIC 22 . . . . .                                            | Foreign Currency Transactions<br>and Advance Consideration                                         | January 1, 2018                                           |
| IFRS 9 . . . . .                                              | Financial Instruments                                                                              | January 1, 2018                                           |
| Amendments to IFRS 4 . . . . .                                | Applying IFRS 9 Financial<br>Instruments with IFRS 4<br>Insurance Contracts                        | January 1, 2018                                           |
| IFRS 16 . . . . .                                             | Leases                                                                                             | January 1, 2019                                           |
| IFRIC 23 . . . . .                                            | Uncertainty over Income Tax<br>Treatments                                                          | January 1, 2019                                           |
| Amendments to IFRS 9 . . . . .                                | Prepayment Features with<br>Negative Compensation and<br>Modifications of Financial<br>Liabilities | 1 January 2019                                            |
| Amendments to IFRS 3, IFRS<br>11, IAS 12 and IAS 23 . . . . . | The Annual Improvements to<br>IFRSs 2015 — 2017 Cycle                                              | 1 January 2019                                            |
| IFRS 17 . . . . .                                             | Insurance Contracts                                                                                | 1 January 2021                                            |

| Standards                              | Key requirements                                                                      | Effective for accounting periods beginning on or after                                                                                                             |
|----------------------------------------|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Amendments to IFRS 10 and IAS 28 ..... | Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture | The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. |

The Group is in the process of making an assessment on the impact of these new and revised IFRSs upon initial application.

*Amendments to IAS 28: IASB Annual Improvements 2014-2016 cycle*

The IASB Annual Improvements 2014-2016 Cycle include the amendments to IAS 28 — Investments in Associates and Joint Ventures. These amendments clarify that the election to measure investees at fair value through profit or loss is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

*Amendments to IAS 40 : Transfers of Investment Property*

On 8 December 2016, the IASB issued amendments to IAS 40 - Transfer of Investment Property. These amendments specify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred. They also clarify that the list of circumstances set out in IAS 40 is non-exhaustive list of examples of evidence that a change in use has occurred instead of an exhaustive list. The examples have been expanded to include assets under construction and development and not only transfers of completed properties.

*Amendments to IFRS 2: Share-based Payment*

On June 20, 2016, the IASB issued an amendment to IFRS 2, “Share-based Payment”, addressing three classification and measurement issues. The amendment addresses the accounting for cash-settled share-based payments and equity-settled awards that include a “net settlement” feature in respect of withholding taxes.

The amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it is wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

*IFRIC 22: Foreign Currency Transactions And Advance Consideration*

The IASB issued IFRIC 22 Foreign currency transactions and advance consideration, to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.

*IFRS 9: Financial Instruments*

The complete version of IFRS 9 — Financial Instruments was issued in July 2014 which replaces the guidance in IAS 39 — Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The key changes to the Group's accounting policies and the expected impact resulting from the adoption of IFRS 9 are described below.

*Classification and measurement*

The classification and measurement of financial assets will depend on how the assets are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FV-OCI') or fair value through profit or loss ('FVTPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39.

The IFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a "solely payment of principal and interest" (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as FVTPL. The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity linked pay-outs, are measured at FVTPL. Subsequent measurement of instruments classified as FVTPL under IFRS 9 operates in a similar manner to trading under IAS 39.

For debt instrument financial assets that meet the SPPI test, classification at initial recognition will be determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis will be classified as FVTPL. Debt instruments that are managed on a "hold to collect and for sale" basis will be classified as FV-OCI for debt. Debt instruments that are managed on a "hold to collect" basis will be classified as amortized cost. Subsequent measurement of instruments classified at FV-OCI and amortized cost classifications under IFRS 9 operate in a similar manner to available for sale ("AFS") for debt securities and loans and receivables, respectively, under existing IAS 39, except for the impairment provisions which are discussed below.

For those debt instrument financial assets that would otherwise be classified as FV-OCI or amortized cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All equity instrument financial assets are required to be classified at initial recognition as FVTPL unless an irrevocable designation is made to classify the instrument as FV-OCI for equities. Unlike AFS for equity securities under IAS 39, the FV-OCI for equities category results in all realized and unrealized gains and losses being recognized in OCI with no recycling to profit and loss. Only dividends will continue to be recognized in profit and loss.

The classification and measurement of financial liabilities remain essentially unchanged from the current IAS 39 requirements, except that changes in fair value of liabilities designated at fair value through profit or loss attributable to changes in own credit risk are to be presented in OCI, rather than profit and loss.

Derivatives will continue to be measured at FVTPL under IFRS 9.

#### *Impairment*

The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost or FV-OCI. In addition, the ECL model applies to financial guarantees that are not measured at FVTPL.

#### *Expected Credit Loss Methodology*

The application of ECL will change the Group's credit loss methodology and models. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition or when there is objective evidence of impairment.

#### *Stage Migration and Significant Increase in Credit Risk*

Financial instruments subject to the ECL methodology are categorized into three stages.

For non-impaired financial instruments:

Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. Entities are required to recognize 12 months of ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.

Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12 months of ECL. In contrast to stage 1 and stage 2, inherent within the incurred loss methodology under IAS 39, allowances are provided for non-impaired financial instruments for credit losses that are incurred but not yet identified.

For impaired financial instruments:

Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the current requirements under IAS 39 for impaired financial instruments.

As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge may be more volatile.

For guarantee receivables, the portion of the individually assessed allowances that relate to impaired financial instruments under IAS 39 will generally be replaced by stage 3 allowances, while the non-impaired portion of the collective allowances will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9.

For guarantee receivables, they are subsequently measured at the higher of (1) the amount determined in accordance with IAS 37 and (2) the amount initially recognized (fair value) less, when appropriate, cumulative amortization of the initial amount recognized in accordance with IFRS 15. IAS 37 will be replaced by IFRS 9 from January 1, 2018.

#### *Transitional impact*

The requirements of IFRS 9 was adopted from January 1, 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the statement of financial position at date of initial application, with no requirement to restate comparative periods. The Group does not intend to restate comparatives.

The impact of IFRS 9 adoption is expected to increase net deficit by 51 million on January 1, 2018 on an after tax basis.

These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalizes its financial statements for the year ending December 31, 2018.

*Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

On 12 September 2016, the IASB issued amendments to IFRS 4, Insurance Contracts. Applying IFRS 9 Financial Instruments with IFRS 4, which provide two alternative measures to address the different effective dates of IFRS 9 and the new insurance contracts standard IFRS 17. These measures include a temporary option for companies whose activities are predominantly connected with insurance to defer the effective date of IFRS 9 to 1 January 2021, as well as an approach that allows an entity to remove from profit or loss the effects of certain accounting mismatches that may occur before the new insurance contracts standard IFRS 17 is applied. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

*IFRS 16: Leases*

IFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard replaces IAS 17 'Leases', and related interpretations.

The Group is a lessee of various offices, which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.30 under which operating lease payment is accounted for in the consolidated statements of comprehensive income when incurred and the Group's future operating lease commitments are not reflected in the consolidated statements of financial position but are disclosed in Note 39. IFRS 16 provides new provisions for the accounting treatment of leases and all long-term leases, including future operating lease commitments, must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation), which are measured at the present value of the lease payments. Thus, each lease will be mapped in the Group's consolidated statements of financial position. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the liability in the statement of comprehensive income, and will no longer record operating expense. The interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability and as such would be front-loaded during the lease term.

The standard will affect primarily the accounting for the Group's operating leases when the Group is the lessee. The Group has non-cancellable operating lease commitments of approximately RMB1,380,000, RMB29,370,000 and RMB62,628,000, respectively, as at December 31, 2015, 2016 and 2017 (Note 39). The new standard is not expected to apply until the financial year 2019. However, the Group does not expect the adoption of IFRS 16 as compared with the current accounting policy would result any significant impact on the total expense to be recognized over the entire lease period and the Group's financial performance but it is expected that the lease commitments will be required to be recognized in the consolidated statements of financial position as a right of use asset and a lease liability other than the short-term and low value leases which will be recognized on a straight-line basis as an expense in profit or loss.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

*IFRIC 23: Uncertainty Over Income Tax Treatments*

In June 2017, the IASB issued IFRIC 23 Uncertainty over income tax treatments to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Group anticipates that the adoption of the interpretation will not have a significant impact on the Group's consolidated financial statements.

*Amendments to IFRS 9: Prepayment Features with Negative Compensation and Modifications of Financial Liabilities*

On 12 October 2017, the IASB issued amendments to IFRS 9: Prepayment Features with Negative Compensation and Modifications of Financial Liabilities. These amendments permit more assets to be measured at amortized cost than under the previous version of IFRS 9, in particular some prepayable financial assets. These amendments also clarify the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23: The Annual Improvements to IFRSs 2015 — 2017 Cycle*

The Annual Improvements to IFRSs 2015-2017 Cycle include a number of amendments to various IFRSs, including the amendments to IFRS 3 — Business Combinations, the amendments to IFRS 11 — Joint Arrangements, the amendments to IAS 12 — Income taxes and IAS 23 — Borrowing Costs. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

*IFRS 17: Insurance Contracts*

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The Group anticipates that the adoption of this new standard will not have a significant impact on the Group’s consolidated financial statements.

*Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

## **2.2 Subsidiaries**

### **(a) Consolidation**

A subsidiary is an entity (including a structured entity) 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 over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

*Subsidiaries controlled through Contractual Agreements*

Zhenniu Information entered into a series of contractual agreements (collectively, “structured entities agreements”) with Enniu Network and the direct equity owners of Enniu Network, who are affiliated with the Company. Through these contractual agreements, Zhenniu Information is able to:

- Exercise effective control over Enniu Network and its subsidiaries (collectively, “the structured entities”);
- Receive substantially all of the economic benefits and residual returns, and absorb substantially all the risks of expected losses as if it were the sole shareholder; and



- Have an exclusive option to purchase all of the equity interest in structured entities.

The Group evaluated the relationships and contractual arrangements among Zhenniu Information, the structured entities and their direct equity owners and concluded that Zhenniu Information is the primary beneficiary in the variable interest arrangement. As a result, the results of operations, assets and liabilities of the structured entities have been included in the Group's Historical Financial Information.

Pursuant to the structured entities agreements, the Group has the power to direct activities of the structured entities and can have assets transferred out of the structured entities under its control. Therefore, the Group considers that there is no asset in any of the structured entities that can be used only to settle obligations of the structured entities, except for registered capital and PRC statutory reserves. As the structured entities are incorporated as limited liability companies under the PRC Company Law, lenders of the structured entities do not have recourse to the general credit of the Group for any of the liabilities of the structured entities.

Currently there is no contractual arrangement which requires the Group to provide additional financial support to the structured entities. However, as the Group conducts its businesses primarily based on the licenses and approvals held by its structured entities, the Group has provided and will continue to provide financial support to the structured entities considering the business requirements of the structured entities, as well as the Group's own business objectives in the future.

#### *Other structured entities through trust arrangements*

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 directed by means of contractual arrangements.

The Group's structured entities include trust schemes. These trust schemes are managed by unaffiliated trust companies and invest the funds raised in loans to individuals (Note 26).

According to the trust scheme agreements, the Group is considered as the primary beneficiary of the trusts and also has the power to direct the activities of the trusts. As a result, the results of operations, assets and liabilities of the trusts have been included in the Group's Historical Financial Information.

#### *Business combinations*

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values 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 recognises 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 acquiree'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 accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, 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 statements of comprehensive income.

**(b) *Separate financial statements***

Investments in subsidiaries (including structured entities) are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceeds the total comprehensive income of the subsidiary in the period the dividends declared or if the carrying amount of the investments in the separate financial statements exceed the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

**2.3 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.

*Investments in associates in the form of ordinary shares*

Investments in associates in the form of ordinary shares are accounted for using 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. 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.

The Group's share of post-acquisition profit or loss is recognized in the consolidated statements of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to 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 statements of comprehensive income.

*Investments in associates in the form of preferred shares or ordinary shares with liquidation preferential rights*

Investments in associates in the form of preferred shares or ordinary shares with liquidation preferential rights are accounted for as hybrid financial instruments and designated as financial assets measured at fair value through profit or loss (Note 2.10).

**2.4 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer and the vice presidents of the Group that make strategic decisions.

**2.5 Functional currency and foreign currency translation****(a) 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 United States dollars ("US\$"). The Company's

primary subsidiaries are incorporated in the PRC and these subsidiaries consider RMB as their functional currency. As the major operations of the Group during the Track Record Period are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

**(b) *Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income within “Finance income/(expenses), net”.

Translation differences on non-monetary financial 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. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

**(c) *Group companies***

The results and financial position of all the group entities (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:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

**2.6 Property and Equipment**

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

|                                             | <u>Estimated useful lives of the assets</u>                              |
|---------------------------------------------|--------------------------------------------------------------------------|
| Computer and electronic equipment . . . . . | 3 years                                                                  |
| Office furniture and equipment . . . . .    | 3 years                                                                  |
| Leasehold improvements . . . . .            | Estimated useful lives or remaining lease terms,<br>whichever is shorter |
| Building . . . . .                          | 20 years                                                                 |
| Motor vehicles . . . . .                    | 4 years                                                                  |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses), net' in the consolidated statements of comprehensive income.

## 2.7 Intangible assets

The Group's intangible assets include software, platform, applications, license and goodwill (Note 2.9).

Intangible assets can be recognized only when future economic benefits expected to be obtained from the use of the item will flow into the Group and its cost can be measured reliably. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

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 product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;

- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development staff cost and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

The useful lives of intangible assets are assessed by the period of bringing economic benefits for the Group.

The intangible assets acquired in a business combination, mainly including software, platform, applications, license and goodwill, are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortisation and impairment losses, if any.

The expected service lives of intangible assets are as follows:

|              | <b>Estimated useful<br/>lives of the assets</b> |
|--------------|-------------------------------------------------|
| Software     | 2-3 years                                       |
| Platform     | 5 years                                         |
| Applications | 10 years                                        |
| License      | Indefinite                                      |
| Goodwill     | Indefinite                                      |

Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed, and adjusted if appropriate, at least at each year end.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

## **2.8 Impairment of non-financial assets**

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's

fair value less costs to sell of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.9 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interests in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

## 2.10 Financial assets

### (a) *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit of loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

For financial assets designated as at fair value through profit of loss, the following criteria must be met:

- The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; and

- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. The Group's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss; and
- A contract contains an embedded derivative that meets particular conditions.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premiums on acquisition and includes fees or costs that are an integral part of the effective interest rate.

#### *Held-to-maturity financial assets*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortized cost less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

#### **(b) Recognition and measurement**

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statements of comprehensive income. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'Financial assets designated at fair value through profit or loss' category are presented in the consolidated statements of comprehensive income within 'Other gains/(losses), net' in the period in which they arise. Dividend income from financial assets designated at fair value through profit or loss is recognized in the consolidated statements of comprehensive income as part of investment income when the Group's right to receive payments is established.



Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to profit or loss as investment income.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated statements of comprehensive income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive when the Group's right to receive payments is established.

(c) *De-recognition of financial assets*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

**2.11 Impairment of financial assets**

*Assets carried at amortised cost*

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss and is recorded through the use of an allowance account. When a financial asset is considered uncollectible, it is written off

against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

***Assets classified as available-for-sale financial assets***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of comprehensive income — is removed from equity and recognized in the consolidated statements of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of comprehensive income, the impairment loss is reversed through the consolidated statements of comprehensive income.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. In determining whether a decline in fair value has been significant or prolonged, the Group considers if the fair value of an available-for-sale equity instrument as at the balance sheet date is lower than 50% (including 50%) of its initial cost of investment or lower than its initial cost of investment for more than one year (including one year) together with other relevant considerations. If any such evidence exists, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of comprehensive income - is removed from equity and recognized in the consolidated statements of comprehensive income. Impairment losses recognized in the consolidated statements of comprehensive income on equity instruments are not reversed through the consolidated statements of comprehensive income.

**2.12 Financial liabilities**

All financial liabilities are initially measured at fair value and classified either as financial liabilities at fair value through profit or loss or other financial liabilities.

***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition. A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) it has been

acquired principally for the purpose of repurchasing in the near term; or (2) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) it is a derivative, except for a derivative that is a designated and effective hedging instrument.

A financial liability may be designated as at fair value through profit or loss upon initial recognition only when one of the following conditions is satisfied: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognizing the gains or losses on them on different bases; or (2) the financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IAS 39 — Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated at financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any interest expenses related to the financial liabilities are recognized in profit or loss.

#### ***Other financial liabilities***

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or losses arising from de-recognition or amortisation recognized in profit or loss.

#### ***De-recognition of financial liabilities***

The Group derecognizes a financial liability or part of it only when the underlying present obligation or part of it is discharged, cancelled or expired. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

### **2.13 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 a legally enforceable right to offset the recognized

amounts and there is an intention to settle on a net basis, or realise 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.

#### **2.14 Derivative financial instruments**

The Group uses derivative financial instruments, such as forward foreign exchange contracts to hedge its foreign currency risk. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

#### **2.15 Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. All the trade receivables of the Group are expected in one year or less, therefore, they are presented as current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

#### **2.16 Cash and cash equivalents**

In the consolidated statements of cash flows, cash and cash equivalents include cash at banks and other short-term highly liquid investments with original maturities of three months or less.

#### **2.17 Share capital**

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.

Where any group company purchases the Company's equity share capital (treasury share), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's equity holders.

## **2.18 Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements 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 of 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 amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## **2.19 Financial guarantee**

### ***Quality assurance fund payable***

The quality assurance fund payable is measured at their fair value at inception. The Group is not obligated to pay default loans in the event no funds are available in the quality assurance fund account. Once the investors are paid for a borrower's default, any future principal and interests recovered are contributed into the quality assurance fund account. Subsequent to initial recognition, the quality assurance fund payable is measured at the greater of 1) the amount determined in accordance with IAS 37 and 2) the amount initially recognised (fair value) less, when appropriate, cumulative amortisation of the initial amount recognised in accordance with IFRS 15. The Group's financial guarantee is reflected as the quality assurance fund payable recorded in the consolidated statements of financial position (Note 23).

### ***Quality assurance fund receivable***

The quality assurance fund receivable is recognized at loan inception for amounts allocated to the guarantee. At each reporting date, the Group estimates the future cash flows and assesses whether there is any indicator of impairment to any individual underlying loan of the quality assurance fund receivable. If the carrying amounts of the quality assurance fund receivable exceeds the expected collections, an impairment loss is recorded for the quality assurance fund receivable not recoverable.

## **2.20 Preferred shares**

Preferred shares are redeemable upon occurrence of certain future events and at the option of the holders. This instrument may be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Company or agreed by majority of the holders as detailed in Note 31.

The Group designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance expenses in the consolidated statements of comprehensive income.

Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognised in the profit or loss.

The preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting year.

A substantial modification of the terms of an existing financial liability of preferred shares or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss on extinguishment is recognised in profit or loss except to the extent that it arises as a result of transactions with shareholders acting in their capacity as shareholders when it is recognised directly in equity. The terms are considered to be 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 at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

## **2.21 Warrants**

The Company records warrants for convertible preferred share issued to investors as equity-settled share-based payments. The initial fair value is measured at the grant date of warrants and the expense is recorded immediately upon the grant date as the warrants are vested and can be exercised anytime after grant. Upon exercise and settlement of the warrants, the difference between the consideration received and the fair value of convertible preferred shares at the exercise date is recorded in the 'Reserves' in the consolidated statements of financial position.

## **2.22 Trade and other payables**

Trade payables are obligations to pay for services that have been delivered in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. All the trade payables of the Group are expected in one year or less, therefore, they are presented as current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.23 Current and deferred income tax

The income tax expense for a year comprises current and deferred tax. The income taxes are recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

### (a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial statements date in the countries/regions where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### (b) *Deferred income tax*

#### *Inside basis differences*

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liabilities in relation to taxable temporary differences arising from the associate's undistributed profits are not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

### *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## **2.24 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 liabilities 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.

## **2.25 Share-based payments**

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options and restricted share units ("RSUs") is recognized as an expense. The total amount to be expensed is determined by making reference to the fair value of the options and RSUs granted:

- Including any market performance condition (for example, an entity's share price);



- excluding 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
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

Non-market performance and service conditions are included in assumptions about the number of options and RSUs that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

Where there is modification of terms and conditions which increases the fair value of the equity instruments granted (for example, by changing the vesting period of share options), the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

At the end of each reporting period, the Group revises its estimates of the number of options and RSUs 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 profit or loss, with a corresponding adjustment to equity.

When the options are exercised or the RSUs are vested, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

## 2.26 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## 2.27 Revenue recognition

Revenue is recognized when service is provided to the customer. Depending on the terms of the contract and the laws that apply to the contract, service may be provided over time or at a point in time. Service is provided over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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 service 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 the service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict 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.

If a contract involves multiple services, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The following is a description of the accounting policy for the principal revenue streams of the Group.

### (a) *Credit facilitation and service fee*

The Group engages primarily in operating an online consumer finance marketplace by providing an online platform which matches borrowers with investors. The Group's platform provides investors

with various investment products, which the investors can elect to participate in. The Group determined that it is not the legal lender and legal borrower in the loan origination and repayment process. Therefore, the Group does not record loans receivable and payable arising from the loans between investors and borrowers on its marketplace.

The total service fees are collected partially upfront at the inception of the loan and the remaining fees are collected subsequently on a monthly basis over the loan period. The total consideration received from borrowers generally includes the services fees for facilitating loan origination (covering matching of investors to borrowers and facilitating the execution of loan agreement between investors and borrowers) and for providing ongoing monthly services (mainly covering cash processing services and collection services), and also include contribution to the quality assurance fund, which provides a protection mechanism to investors who subscribe to these loans.

The total consideration from borrowers are first allocated to the quality assurance fund payable (Note 2.19) at fair value which meets the definition of a financial guarantee under IAS 39, and the remaining amount are then allocated to credit facilitation service and ongoing monthly service. The Group generally collects the entire amount relating to credit facilitation and ongoing monthly services as one combined fee.

The Group considers the credit facilitation services and ongoing monthly services as distinct performance obligations. Although the Group does not sell these services separately, the Group determined that both deliverables have standalone value. 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 standalone selling prices of the different performance obligations as the basis for allocation. The total service fee allocated to credit facilitation is recognized as revenue upon execution of loan agreements between investors and borrowers. The service fees allocated to post-origination services are deferred and recognized over the period of the loan on a straight-line method, which approximates the pattern of when the underlying services are performed. When the cash received is different from the revenue recognised, a "Contract Asset" or "Contract Liability" shall be recognized in the consolidated statement of financial position.

(b) ***Incentives***

To expand its market presence, attract new investors and new borrowers and increase activity level on the Group's platform, the Group provides incentives to potential investors and borrowers at its sole discretion.

When a loan is successfully matched during the relevant incentive program period, the investor receives a cash incentive as additional interest on a monthly basis over the term of the loan. The borrower may receive a cash incentive, as a reduction of credit facilitation service fee. These cash incentives are accounted for as reduction of revenue.

(c) *Loan referral service fee*

The Group introduces loan products of external online lending platforms to borrowers on the Group's own platform who can click through to third-party platforms. The Group generally is not the primary obligor, does not have the ability to establish the price, is not exposed to the credit risk when directing borrowers to third-party platforms. Upon successful set-up of loans, the Group will charge the third-party platforms a negotiated amount or a fixed rate referral fee based on the loans amount. Loan referral service income is recognized on a net basis upon successfully set-up of the loans.

(d) *Credit card technology service fee*

The Group cooperates with banks for their online credit card applications on a nationwide basis. Users of 51 Credit Card Manager App can click on the icon of a bank displayed in the Group's platform and the webpage of the bank will pop up in the App to complete the credit card application process. The Group charges banks the referral fee based on the successful applications which are defined by the banks. Credit card technology service fee is recognized on a net basis upon successful applications.

(e) *Interest income of loans to customers*

The Group has originated and held loans through consolidated trust schemes and a micro loan subsidiary. Interest on the loans to customers (Note 26) is accrued based on the contractual interest rates of the loan as earned using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(f) *Overdue charges*

The Group makes efforts to collect the outstanding overdue amounts from borrowers. Overdue charges incurred on a case-by-case basis. The collectability of these amounts are often of high uncertainty. Overdue charges are only highly probable to be collected when the actual overdue amounts are repaid and are recognized as revenue when the cash of the overdue payments is actually collected.

## **2.28 Interest income of cash at banks and bank deposits**

Interest income is recognized on a time proportion basis, taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

## **2.29 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 recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

### **2.30 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

## **3 Critical accounting estimates and judgements**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### **3.1 Impairment losses on loans to customers and quality assurance fund receivable**

The Group reviews its loan portfolios and quality assurance fund receivable to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the consolidated statements of comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and quality assurance fund receivable before the decrease can be identified with an individual loan and quality assurance receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the Group. The impairment loss for a loan and quality assurance fund receivable that are individually assessed for impairment is the difference between estimated discounted future cash flows and book value. When loans are collectively assessed for impairment, management uses estimates based on historical loss experience for assets with credit risk characteristics similar to those in the portfolio and objective evidence of impairment. Historical loss experience is adjusted on the basis of the relevant observable data that reflects current economic conditions. The methodology and assumptions used for estimating the amount and timing of future cash flows, the historical loss experience and the relevant observable data that reflects current economic conditions are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### **3.2 Revenue related to credit facilitation service and ongoing monthly service**

The Group considers the credit facilitation services and ongoing monthly 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 deliverables as the basis for allocation. When estimating the selling prices, the Group considers the cost related to such services, profit margin, customer demand, effect of competition, and other market factors, if applicable.

### **3.3 Quality assurance fund payable and receivable**

The quality assurance fund is a protection mechanism offered to investors who subscribe to the loans facilitated on the Group's platform. The quality assurance fund contribution rates are determined at loan inception on a loan by loan basis and does not subsequently change over the life of the loan. The determination of the contribution rates is also based on the estimated loss rate of the loans, taking into account the underlying risk profile and historical loss record and other market factors when necessary.

### **3.4 Recognition of share-based compensation expenses**

The fair values of share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognizes an expense for those share options and RSUs expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and RSUs and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

The fair value of share options and RSUs at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

### **3.5 Fair value of preferred shares**

The Group determines that the transaction price received for the issuance of the preferred shares equals the fair value. Preferred shares are recognized as liability designated at fair value through profit or loss.

The Group uses the discounted cash flow method to determine the underlying equity fair value of the Group and adopts equity allocation method to determine the fair value of preferred shares as at each date of issuance and at each reporting date. The valuation technique used to measure fair value is applied consistently. However, a change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate.

### **3.6 Income taxes**

The Group is subject to income tax regulations under the PRC, HK, Cayman Islands and BVI. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. 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 income tax assets and liabilities in the period in which such determination is made.

In addition, a deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits of the individual entities together with tax planning strategies.

### **3.7 Fair value of financial instruments**

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

## **4 Financial risk management**

### **4.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks, including market 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.

#### **(a) Market Risk**

##### **(i) Foreign exchange risk**

The transactions of the Company are denominated and settled in its functional currency, US\$. The Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US\$ and HK\$. Therefore, foreign exchange risk primarily arose from cash and cash equivalents in the Group's PRC subsidiaries when receiving or to receive foreign currencies from overseas business partners.

The Group enters into forward foreign exchange contracts to cover specific foreign currency payments and receipts within the exposure generated.

For the Group's PRC subsidiaries whose functional currency is RMB, if US\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the years ended December 31, 2015, 2016 and 2017 would have been approximately RMB1,080,000 lower/higher, RMB11,907,000 higher/lower and RMB3,357,000 lower/higher, respectively, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in US\$.

For the Group's PRC subsidiaries whose functional currency is RMB, if HK\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the years ended December 31, 2015, 2016 and 2017 would have been approximately nil, nil and RMB7,523,000 higher/lower, respectively, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in HK\$.

(ii) *Interest rate risk*

The Group is exposed to interest rate risk primarily in relation to term deposits, loans to customers, net, long-term borrowings and short-term borrowings. The Group generally assumes borrowings to fund capital expenditures and working capital requirements. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analyses below have been determined based on the exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher and all other variables were held constant, the Group's profit would approximately decrease by RMB13,000 for the years ended December 31, 2015 and increase by RMB860,000 and RMB3,654,000 for the years ended December 31, 2016 and 2017, respectively. This is mainly attributable to the Group's exposure to interest rates on loans to customers, net.

(b) *Credit risk*

The Group is exposed to credit risk primarily in relation to cash and cash equivalents, restricted cash, term deposits, wealth management products, quality assurance fund receivable, contract assets, trade receivables, loans to customers, net and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.



To manage this risk arising from cash and cash equivalents, restricted cash and wealth management products, the Group transacts with state-owned and reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

|                                      | As at December 31, |               |                |
|--------------------------------------|--------------------|---------------|----------------|
|                                      | 2015               | 2016          | 2017           |
|                                      | RMB'000            | RMB'000       | RMB'000        |
| Cash and cash equivalents . . . . .  | 286,752            | 2,104,080     | 1,258,446      |
| Restricted cash . . . . .            | 15,095             | 298,213       | 1,407,491      |
| Term deposits . . . . .              | —                  | —             | 5,000          |
| Wealth management products . . . . . | <u>15,000</u>      | <u>89,187</u> | <u>334,471</u> |

For quality assurance fund receivable, contract assets, trade receivables, loans to customers, net and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experience. The directors of the Group believe that credit risk inherent in the Group's outstanding balance of quality assurance fund receivable, contract assets, trade receivables, loans to customers, net and other receivables has been appropriately provided.

|                                             | As at December 31, |                |                |
|---------------------------------------------|--------------------|----------------|----------------|
|                                             | 2015               | 2016           | 2017           |
|                                             | RMB'000            | RMB'000        | RMB'000        |
| Quality assurance fund receivable . . . . . | 63,150             | 576,921        | 1,407,981      |
| Contract assets . . . . .                   | 18,138             | 1,567          | 22,692         |
| Trade receivables . . . . .                 | 11,309             | 35,193         | 59,957         |
| Loans to customers, net (i) . . . . .       | —                  | 196,954        | 948,987        |
| Other receivables . . . . .                 | <u>8,126</u>       | <u>564,661</u> | <u>307,554</u> |

(i) *Loans to customers, net*

|                                             | As at December 31, |         |           |
|---------------------------------------------|--------------------|---------|-----------|
|                                             | 2015               | 2016    | 2017      |
|                                             | RMB'000            | RMB'000 | RMB'000   |
| Neither past due nor impaired . . . . .     | —                  | 194,457 | 914,713   |
| Past due but not impaired . . . . .         | —                  | 6,123   | 48,726    |
| Impaired . . . . .                          | —                  | 2,534   | 87,320    |
| <b>Loans to customers - gross</b> . . . . . | —                  | 203,114 | 1,050,759 |
| Less: impairment allowance. . . . .         | —                  | (6,160) | (101,772) |
| <b>Loans to customers - net</b> . . . . .   | —                  | 196,954 | 948,987   |

(c) *Liquidity risk*

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

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

|                                          | As at             |
|------------------------------------------|-------------------|
|                                          | December 31, 2015 |
|                                          | Less than 1 year  |
|                                          | RMB'000           |
| Quality assurance fund payable . . . . . | 77,676            |
| Payable to platform customers . . . . .  | 11,572            |
| Short-term borrowings . . . . .          | 20,117            |
| Trade payables . . . . .                 | 758               |
| Other financial liabilities . . . . .    | 5,186             |
|                                          | 115,309           |

## APPENDIX I

## ACCOUNTANT'S REPORT

| As at December 31, 2016                                    |                     |                      |                  |
|------------------------------------------------------------|---------------------|----------------------|------------------|
|                                                            | Less than 1<br>year | Between 1-5<br>years | Total            |
|                                                            | RMB'000             | RMB'000              | RMB'000          |
| Payable to trust senior tranche holders . . . . .          | 12,800              | 177,885              | 190,685          |
| Payable to preferred shareholders . . . . .                | 1,866,921           | —                    | 1,866,921        |
| Quality assurance fund payable . . . . .                   | 706,612             | —                    | 706,612          |
| Payable to platform customers . . . . .                    | 86,140              | —                    | 86,140           |
| Contract liabilities . . . . .                             | 30,973              | —                    | 30,973           |
| Short-term borrowings . . . . .                            | 33,193              | —                    | 33,193           |
| Trade payables . . . . .                                   | 7,451               | —                    | 7,451            |
| Financial liabilities at fair value through profit or loss | 4,627               | —                    | 4,627            |
| Other financial liabilities . . . . .                      | 31,840              | —                    | 31,840           |
|                                                            | <u>2,780,557</u>    | <u>177,885</u>       | <u>2,958,442</u> |

| As at December 31, 2017                                                 |                     |                      |               |                  |
|-------------------------------------------------------------------------|---------------------|----------------------|---------------|------------------|
|                                                                         | Less than 1<br>year | Between 1-5<br>years | Over 5 years  | Total            |
|                                                                         | RMB'000             | RMB'000              | RMB'000       | RMB'000          |
| Long-term borrowings . . . . .                                          | 35,904              | 499,962              | 21,847        | 557,713          |
| Payable to trust senior tranche holders . . . . .                       | 74,150              | 944,089              | —             | 1,018,239        |
| Quality assurance fund payable . . . . .                                | 1,767,210           | —                    | —             | 1,767,210        |
| Payable to platform customers . . . . .                                 | 656,422             | —                    | —             | 656,422          |
| Short-term borrowings . . . . .                                         | 264,119             | —                    | —             | 264,119          |
| Trade payables . . . . .                                                | 33,778              | —                    | —             | 33,778           |
| Financial liabilities at fair value through<br>profit or loss . . . . . | 168,460             | —                    | —             | 168,460          |
| Other financial liabilities . . . . .                                   | 721,821             | —                    | —             | 721,821          |
|                                                                         | <u>3,721,864</u>    | <u>1,444,051</u>     | <u>21,847</u> | <u>5,187,762</u> |

As at December 31, 2015, 2016 and 2017, the Group believes the likelihood of the occurrence of redemption event for the preferred shares is remote.

The following table details the Group's expected maturity for its financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

|                                                                            | As at December 31,<br>2015 |
|----------------------------------------------------------------------------|----------------------------|
|                                                                            | Less than 1 year           |
|                                                                            | RMB'000                    |
| Financial assets designated at fair value through profit or loss . . . . . | 15,000                     |
| Quality assurance fund receivable . . . . .                                | 63,150                     |
| Contract assets . . . . .                                                  | 18,138                     |
| Trade receivables . . . . .                                                | 11,309                     |
| Restricted cash . . . . .                                                  | 15,095                     |
| Cash and cash equivalents . . . . .                                        | 286,752                    |
| Other financial assets . . . . .                                           | 8,126                      |
|                                                                            | <u>417,570</u>             |

|                                                                               | As at December 31, 2016 |               |                  |
|-------------------------------------------------------------------------------|-------------------------|---------------|------------------|
|                                                                               | Less than 1<br>year     | Over 5 years  | Total            |
|                                                                               | RMB'000                 | RMB'000       | RMB'000          |
| Financial assets designated at fair value through profit<br>or loss . . . . . | 95,524                  | 11,891        | 107,415          |
| Quality assurance fund receivable . . . . .                                   | 576,921                 | —             | 576,921          |
| Contract assets . . . . .                                                     | 1,567                   | —             | 1,567            |
| Trade receivables . . . . .                                                   | 35,193                  | —             | 35,193           |
| Loans to customers, net . . . . .                                             | 196,954                 | —             | 196,954          |
| Restricted cash . . . . .                                                     | 298,213                 | —             | 298,213          |
| Cash and cash equivalents . . . . .                                           | 2,104,080               | —             | 2,104,080        |
| Other financial assets . . . . .                                              | 564,661                 | —             | 564,661          |
|                                                                               | <u>3,873,113</u>        | <u>11,891</u> | <u>3,885,004</u> |

|                                                                            | As at December 31, 2017 |                |                  |
|----------------------------------------------------------------------------|-------------------------|----------------|------------------|
|                                                                            | Less than 1             | Over 5 years   | Total            |
|                                                                            | year                    |                |                  |
|                                                                            | RMB'000                 | RMB'000        | RMB'000          |
| Financial assets designated at fair value through profit or loss . . . . . | 334,471                 | 425,093        | 759,564          |
| Quality assurance fund receivable . . . . .                                | 1,407,981               | —              | 1,407,981        |
| Contract assets . . . . .                                                  | 22,692                  | —              | 22,692           |
| Trade receivables . . . . .                                                | 59,957                  | —              | 59,957           |
| Loans to customers, net . . . . .                                          | 948,987                 | —              | 948,987          |
| Restricted cash . . . . .                                                  | 1,407,491               | —              | 1,407,491        |
| Cash and cash equivalents . . . . .                                        | 1,258,446               | —              | 1,258,446        |
| Other financial assets . . . . .                                           | 307,554                 | —              | 307,554          |
|                                                                            | <u>5,747,579</u>        | <u>425,093</u> | <u>6,172,672</u> |

The amounts included above for variable interest rate instruments for both financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

#### 4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital, capital reserves and preferred shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

#### 4.3 Fair value estimation

The Group has adopted IFRS 13 in respect of disclosures about the degree of reliability of fair value measurements. The Group classifies, for disclosure purposes, fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety should be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the management. Management consider observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

As at December 31, 2015, 2016 and 2017, the Group's financial assets and liabilities, including quality assurance fund receivable, trade receivables, other receivables, loans to customers, net, quality assurance fund payable, trade payables, other payables and other current liabilities are recognized according to the amortized cost. Based on the estimate of the management, the carrying value of these financial assets and liabilities are approximate to their fair value because most of the financial assets and financial liabilities are within one year. Financial assets designated at fair value through profit or loss, preferred shares (Note 31) and financial liabilities at fair value through profit or loss are measured at fair value.

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The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2015, 2016 and 2017:

|                                                                                                     |                                                                                                                                                                                          | As at December 31, 2015 |         |           |           |
|-----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------|-----------|-----------|
|                                                                                                     | Valuation techniques and key input                                                                                                                                                       | Level 1                 | Level 2 | Level 3   | Total     |
|                                                                                                     |                                                                                                                                                                                          | RMB'000                 | RMB'000 | RMB'000   | RMB'000   |
| <b>Assets</b>                                                                                       |                                                                                                                                                                                          |                         |         |           |           |
| Financial assets designated at fair value through profit or loss - wealth management products . . . | Bank quoted expected return.                                                                                                                                                             | —                       | 15,000  | —         | 15,000    |
| <b>Liabilities</b>                                                                                  |                                                                                                                                                                                          |                         |         |           |           |
| Preferred shares . . . . .                                                                          | Discounted cash flow. Future cash flows are estimated based on key assumptions including discount rate, risk-free interest rate and volatility.                                          | —                       | —       | 1,182,588 | 1,182,588 |
|                                                                                                     |                                                                                                                                                                                          | As at December 31, 2016 |         |           |           |
|                                                                                                     | Valuation techniques and key input                                                                                                                                                       | Level 1                 | Level 2 | Level 3   | Total     |
|                                                                                                     |                                                                                                                                                                                          | RMB'000                 | RMB'000 | RMB'000   | RMB'000   |
| <b>Assets</b>                                                                                       |                                                                                                                                                                                          |                         |         |           |           |
| Financial assets designated at fair value through profit or loss - investments . . . . .            | Discounted cash flow. Future cash flows are estimated based on key assumptions including perpetual growth rate, inflation rate, weighted average cost of capital and liquidity discount. | —                       | —       | 17,891    | 17,891    |
| Financial assets designated at fair value through profit or loss - wealth management products . . . | Bank quoted expected return.                                                                                                                                                             | —                       | 89,187  | —         | 89,187    |

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|                                                                                                     |                                                                                                                                                                                          | As at December 31, 2016 |         |           |           |
|-----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------|-----------|-----------|
|                                                                                                     | Valuation techniques and key input                                                                                                                                                       | Level 1                 | Level 2 | Level 3   | Total     |
|                                                                                                     |                                                                                                                                                                                          | RMB'000                 | RMB'000 | RMB'000   | RMB'000   |
| <b>Liabilities</b>                                                                                  |                                                                                                                                                                                          |                         |         |           |           |
| Financial liabilities at fair value through profit or loss . . . . .                                | Quoted spot foreign exchange rate.                                                                                                                                                       | —                       | 4,627   | —         | 4,627     |
| Preferred shares . . . . .                                                                          | Discounted cash flow. Future cash flows are estimated based on key assumptions including discount rate, risk-free interest rate and volatility.                                          | —                       | —       | 4,105,301 | 4,105,301 |
|                                                                                                     |                                                                                                                                                                                          | As at December 31, 2017 |         |           |           |
|                                                                                                     | Valuation techniques and key input                                                                                                                                                       | Level 1                 | Level 2 | Level 3   | Total     |
|                                                                                                     |                                                                                                                                                                                          | RMB'000                 | RMB'000 | RMB'000   | RMB'000   |
| <b>Assets</b>                                                                                       |                                                                                                                                                                                          |                         |         |           |           |
| Financial assets designated at fair value through profit or loss - Investments . . . . .            | Discounted cash flow. Future cash flows are estimated based on key assumptions including perpetual growth rate, inflation rate, weighted average cost of capital and liquidity discount. | —                       | —       | 425,093   | 425,093   |
| Financial assets designated at fair value through profit or loss - wealth management products . . . | Bank quoted expected return.                                                                                                                                                             | —                       | 334,471 | —         | 334,471   |



|                                                                            |                                                                                                                                                                | As at December 31, 2017               |         |         |           |           |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------|---------|-----------|-----------|
|                                                                            |                                                                                                                                                                | Valuation techniques and key<br>input | Level 1 | Level 2 | Level 3   | Total     |
|                                                                            |                                                                                                                                                                |                                       | RMB'000 | RMB'000 | RMB'000   | RMB'000   |
| <b>Liabilities</b>                                                         |                                                                                                                                                                |                                       |         |         |           |           |
| Financial liabilities at<br>fair value through<br>profit or loss . . . . . | Discounted cash flow.<br>Future cash flows are<br>estimated based on key<br>assumptions including<br>discount rate, risk-free<br>interest rate and volatility. |                                       | —       | —       | 168,460   | 168,460   |
| Preferred shares . . . . .                                                 | Discounted cash flow.<br>Future cash flows are<br>estimated based on key<br>assumptions including<br>discount rate, risk-free<br>interest rate and volatility. |                                       | —       | —       | 6,815,260 | 6,815,260 |

The following table presents the changes in level 3 asset instruments for the years ended December 31, 2015, 2016 and 2017:

|                                        | Year ended December 31, |         |         |
|----------------------------------------|-------------------------|---------|---------|
|                                        | 2015                    | 2016    | 2017    |
|                                        | RMB'000                 | RMB'000 | RMB'000 |
| At the beginning of the year . . . . . | —                       | —       | 17,891  |
| Addition . . . . .                     | —                       | 25,611  | 232,523 |
| Fair value change . . . . .            | —                       | —       | 179,679 |
| Disposals. . . . .                     | —                       | (7,720) | (5,000) |
| At the end of the year. . . . .        | —                       | 17,891  | 425,093 |

The changes in level 3 preferred shares for the year ended December 31, 2015, 2016 and 2017 are presented as detailed in Note 31.

Changing the key unobservable inputs used in the discounted cash flow method and equity allocation method of preferred shares would change the fair value significantly. According to IFRS13 “Fair Value Measurement”, sensitivity analysis on the preferred shares of the Group has been conducted by the management as at December 31, 2015, 2016 and 2017.

If the discount rate applied to the cash flow projections had been 1% lower than our management's estimates as at December 31, 2015, 2016 and 2017 respectively, the value of preferred share shall exceed its carrying amount listed in below table:

|                                | As at December 31, |         |         |
|--------------------------------|--------------------|---------|---------|
|                                | 2015               | 2016    | 2017    |
|                                | RMB'000            | RMB'000 | RMB'000 |
| <b>Discount Rate</b> . . . . . | 66,344             | 273,388 | 416,972 |

If the discount rate applied to the cash flow projections had been 1% higher than our management's estimates as at December 31, 2015, 2016 and 2017 respectively, the value of preferred share shall exceed its carrying amount listed in below table:

|                                | As at December 31, |           |           |
|--------------------------------|--------------------|-----------|-----------|
|                                | 2015               | 2016      | 2017      |
|                                | RMB'000            | RMB'000   | RMB'000   |
| <b>Discount Rate</b> . . . . . | (58,919)           | (253,081) | (532,138) |

## 5 Credit facilitation and service fee

|                                                   | Year ended December 31, |                |                  |
|---------------------------------------------------|-------------------------|----------------|------------------|
|                                                   | 2015                    | 2016           | 2017             |
|                                                   | RMB'000                 | RMB'000        | RMB'000          |
| Upfront credit facilitation service fee . . . . . | 13,430                  | 296,927        | 944,058          |
| Post credit facilitation service fee . . . . .    | 3,321                   | 87,256         | 683,266          |
|                                                   | <u>16,751</u>           | <u>384,183</u> | <u>1,627,324</u> |

## 6 Other revenue

|                                                 | Year ended December 31, |               |                |
|-------------------------------------------------|-------------------------|---------------|----------------|
|                                                 | 2015                    | 2016          | 2017           |
|                                                 | RMB'000                 | RMB'000       | RMB'000        |
| Interest income of loans to customers . . . . . | —                       | 27,684        | 227,440        |
| Overdue charges and others . . . . .            | 1,095                   | 20,815        | 84,107         |
|                                                 | <u>1,095</u>            | <u>48,499</u> | <u>311,547</u> |

## 7 Segment information

The chief operating decision-maker has been identified as the executive directors of the Group who reviews consolidated results of the Group when making decisions about resources allocation and assessing the performance of the Group. The executive directors consider that the Group operates in one business segment and the measurement of segment result is based on the profit from operation as presented in the consolidated statements of comprehensive income.

The majority of the Group's activities are carried out in mainland China during the Track Record Period and the majority of the Group's assets and liabilities are located in mainland China. Accordingly, no analysis by geographical basis for the Track Record Period is presented.

The Group has a large number of customers, no revenue from any individual customer exceeded 10% or more of the Group's revenue during the Track Record Period.

The Group's non-current assets other than financial instruments were located in the PRC as at December 31, 2015, 2016 and 2017.

## 8 Expenses by nature

|                                              | Year ended December 31, |                |                  |
|----------------------------------------------|-------------------------|----------------|------------------|
|                                              | 2015                    | 2016           | 2017             |
|                                              | RMB'000                 | RMB'000        | RMB'000          |
| Marketing and advertising fees . . . . .     | 130,782                 | 169,843        | 598,211          |
| Employee benefit expenses (Note 9) . . . . . | 81,418                  | 202,032        | 471,036          |
| Fund transfer charges . . . . .              | 7,200                   | 71,224         | 169,247          |
| External technical service fee . . . . .     | 5,985                   | 13,368         | 103,487          |
| Loan referral service expense . . . . .      | —                       | 3,492          | 89,412           |
| Depreciation and amortization . . . . .      | 2,603                   | 10,498         | 29,654           |
| Office expenses . . . . .                    | 6,463                   | 9,290          | 22,253           |
| Professional service fee . . . . .           | 2,689                   | 3,872          | 17,569           |
| Listing expenses . . . . .                   | —                       | —              | 14,905           |
| Others . . . . .                             | 7,930                   | 35,683         | 59,058           |
|                                              | <u>245,070</u>          | <u>519,302</u> | <u>1,574,832</u> |

## 9 Employee benefit expenses

|                                                                                     | Year ended December 31, |                |                |
|-------------------------------------------------------------------------------------|-------------------------|----------------|----------------|
|                                                                                     | 2015                    | 2016           | 2017           |
|                                                                                     | RMB'000                 | RMB'000        | RMB'000        |
| Wages, salaries and bonuses . . . . .                                               | 55,651                  | 142,130        | 330,534        |
| Pension costs — defined contribution plans . . . . .                                | 826                     | 6,824          | 18,567         |
| Other social security costs, housing benefits and other employee benefits . . . . . | 6,568                   | 26,181         | 65,341         |
| Share-based compensation expenses (Note 30) . . . . .                               | 18,373                  | 26,897         | 56,594         |
|                                                                                     | <u>81,418</u>           | <u>202,032</u> | <u>471,036</u> |

## 10 Directors' remuneration

The remuneration of every director of the Company for the year ended December 31, 2015 is set out as follows:

|                                          | Director's fee | Salaries, wages and bonuses | Pension costs — defined contribution plan | Other social security costs, housing benefits and other employee benefits | Share-based compensation expenses | Total        |
|------------------------------------------|----------------|-----------------------------|-------------------------------------------|---------------------------------------------------------------------------|-----------------------------------|--------------|
|                                          | RMB'000        | RMB'000                     | RMB'000                                   | RMB'000                                                                   | RMB'000                           | RMB'000      |
| <b>Executive directors</b> . . . . .     |                |                             |                                           |                                                                           |                                   |              |
| Sun Haitao . . . . .                     | —              | 3,501                       | 4                                         | 27                                                                        | —                                 | 3,532        |
| Yang Yuzhi . . . . .                     | —              | —                           | —                                         | —                                                                         | —                                 | —            |
| Zhao Ke . . . . .                        | —              | 272                         | 1                                         | 7                                                                         | 341                               | 621          |
| <b>Non-executive directors</b> . . . . . |                |                             |                                           |                                                                           |                                   |              |
| Zou Yunli . . . . .                      | —              | —                           | —                                         | —                                                                         | —                                 | —            |
|                                          | <u>—</u>       | <u>3,773</u>                | <u>5</u>                                  | <u>34</u>                                                                 | <u>341</u>                        | <u>4,153</u> |

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The remuneration of every director of the Company for the year ended December 31, 2016 is set out as follows:

|                                | Director's fee | Salaries, wages<br>and bonuses | Pension costs<br>— defined<br>contribution<br>plan | Other social<br>security costs,<br>housing<br>benefits and<br>other employee<br>benefits | Share-based<br>compensation<br>expenses | Total   |
|--------------------------------|----------------|--------------------------------|----------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------|---------|
|                                | RMB'000        | RMB'000                        | RMB'000                                            | RMB'000                                                                                  | RMB'000                                 | RMB'000 |
| <b>Executive directors</b>     |                |                                |                                                    |                                                                                          |                                         |         |
| Sun Haitao                     | —              | 867                            | 14                                                 | 38                                                                                       | —                                       | 919     |
| Yang Yuzhi                     | —              | 557                            | 7                                                  | 17                                                                                       | 4,419                                   | 5,000   |
| Zhao Ke                        | —              | 1,090                          | 14                                                 | 38                                                                                       | 1,364                                   | 2,506   |
| <b>Non-executive directors</b> |                |                                |                                                    |                                                                                          |                                         |         |
| Zou Yunli                      | —              | —                              | —                                                  | —                                                                                        | —                                       | —       |
|                                | —              | 2,514                          | 35                                                 | 93                                                                                       | 5,783                                   | 8,425   |

The remuneration of every director of the Company for the year ended December 31, 2017 is set out as follows:

|                                | Director's fee | Salaries, wages<br>and bonuses | Pension costs<br>— defined<br>contribution<br>plan | Other social<br>security costs,<br>housing<br>benefits and<br>other employee<br>benefits | Share-based<br>compensation<br>expenses | Total   |
|--------------------------------|----------------|--------------------------------|----------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------|---------|
|                                | RMB'000        | RMB'000                        | RMB'000                                            | RMB'000                                                                                  | RMB'000                                 | RMB'000 |
| <b>Executive directors</b>     |                |                                |                                                    |                                                                                          |                                         |         |
| Sun Haitao                     | —              | 980                            | 24                                                 | 46                                                                                       | 12,693                                  | 13,743  |
| Yang Yuzhi                     | —              | 838                            | 24                                                 | 49                                                                                       | 4,908                                   | 5,819   |
| Zhao Ke                        | —              | 899                            | 24                                                 | 49                                                                                       | 1,206                                   | 2,178   |
| <b>Non-executive directors</b> |                |                                |                                                    |                                                                                          |                                         |         |
| Zou Yunli                      | —              | —                              | —                                                  | —                                                                                        | —                                       | —       |
|                                | —              | 2,717                          | 72                                                 | 144                                                                                      | 18,807                                  | 21,740  |

## 11 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2015, 2016 and 2017 include 1, 2 and 3 directors whose emoluments are reflected in the analysis shown in Note 10. The emoluments payable to the remaining 4, 3 and 2 individuals for each of the years ended December 31, 2015, 2016 and 2017 are as follows:

|                                                                                     | Year ended December 31, |              |              |
|-------------------------------------------------------------------------------------|-------------------------|--------------|--------------|
|                                                                                     | 2015                    | 2016         | 2017         |
|                                                                                     | RMB'000                 | RMB'000      | RMB'000      |
| Wages, salaries and bonuses . . . . .                                               | 11,505                  | 2,694        | 2,712        |
| Pension costs — defined contribution plan . . . . .                                 | 12                      | 47           | 68           |
| Other social security costs, housing benefits and other employee benefits . . . . . | 90                      | 99           | 109          |
| Share-based compensation expenses. . . . .                                          | 58                      | 3,637        | 2,367        |
|                                                                                     | <u>11,665</u>           | <u>6,477</u> | <u>5,256</u> |

The emoluments fell within the following bands:

|                                        | Year ended December 31, |          |          |
|----------------------------------------|-------------------------|----------|----------|
|                                        | 2015                    | 2016     | 2017     |
|                                        | RMB'000                 | RMB'000  | RMB'000  |
| Nil to RMB1,000,000 . . . . .          | —                       | —        | —        |
| RMB1,000,001 to RMB2,000,000 . . . . . | —                       | 1        | —        |
| RMB2,000,001 to RMB3,000,000 . . . . . | 3                       | 2        | 2        |
| RMB3,000,001 to RMB4,000,000 . . . . . | 1                       | —        | —        |
| RMB5,000,001 to RMB6,000,000 . . . . . | —                       | —        | —        |
|                                        | <u>4</u>                | <u>3</u> | <u>2</u> |

## 12 Other gains/(losses), net

|                                                                                                                  | Year ended December 31, |              |               |
|------------------------------------------------------------------------------------------------------------------|-------------------------|--------------|---------------|
|                                                                                                                  | 2015                    | 2016         | 2017          |
|                                                                                                                  | RMB'000                 | RMB'000      | RMB'000       |
| Fair value gain/(loss) on financial assets designated at fair value through profit or loss (Note 20 (a)(b)(c)) . | 59                      | 5,283        | 191,706       |
| Gain on disposals of investments (Note 13) . . . . .                                                             | —                       | 28,686       | 260           |
| Fair value gain/(loss) on forward foreign exchange contracts . . . . .                                           | —                       | (4,627)      | (13,083)      |
| Quality assurance fund loss, net (Note 23) . . . . .                                                             | (11,040)                | (8,241)      | (36,585)      |
| Government grants (a) . . . . .                                                                                  | 1,440                   | 20           | 15,253        |
| Interest expenses to trust senior tranche holders (Note 26) . . . . .                                            | —                       | (6,312)      | (43,993)      |
| Impairment loss (b) . . . . .                                                                                    | (972)                   | (4,801)      | (97,442)      |
| Others . . . . .                                                                                                 | (95)                    | (2,084)      | (4,185)       |
|                                                                                                                  | <u>(10,608)</u>         | <u>7,924</u> | <u>11,931</u> |

- (a) Government grants represented various subsidies granted by the government authorities which are not asset related to the Group.
- (b) The composition of impairment loss for the years ended December 31, 2015, 2016 and 2017 is as follows:

|                              | Year ended December 31, |                |                 |
|------------------------------|-------------------------|----------------|-----------------|
|                              | 2015                    | 2016           | 2017            |
|                              | RMB'000                 | RMB'000        | RMB'000         |
| Contract assets . . . . .    | (1,462)                 | 1,359          | (1,830)         |
| Loans to customers . . . . . | —                       | (6,160)        | (95,612)        |
| Trade receivables . . . . .  | 490                     | —              | —               |
|                              | <u>(972)</u>            | <u>(4,801)</u> | <u>(97,442)</u> |

## 13 Gain on disposals of investments

|                                                                                                    | Year ended December 31, |         |         |
|----------------------------------------------------------------------------------------------------|-------------------------|---------|---------|
|                                                                                                    | 2015                    | 2016    | 2017    |
|                                                                                                    | RMB'000                 | RMB'000 | RMB'000 |
| Gain on disposal of equity interests in an associate                                               |                         |         |         |
| (a) . . . . .                                                                                      | —                       | —       | 260     |
| Gain on disposal of financial assets designated at fair value through profit or loss (b) . . . . . | —                       | 28,686  | —       |
|                                                                                                    | —                       | 28,686  | 260     |

(a) In November 2016, Enniu Network acquired 40.97% equity interests in Zhejiang Anniu Technology Co., Ltd. (浙江安牛科技有限公司, “Anniu Technology”), a third party focusing on the development and operation of apps. In July 2017, Enniu Network disposed 10.00% equity interests of Anniu Technology for a cash consideration of RMB1,250,000 and recognized a gain on disposal of approximately RMB260,000 for the year ended December 31, 2017.

(b) In March 2016, Shanghai Wuniu Network Technology Co., Ltd. (“Wuniu Network”), the Company’s PRC subsidiary, acquired 6.55% equity interests in Smart Finance Technology Limited (北京智融時代信息技術有限公司, “Smart Finance”), a third party focusing on the development and operation of apps. In October 2016, Wuniu Network disposed 5.55% equity interests in Smart Finance for a cash consideration of approximately RMB36,406,000 and recognized a gain on disposal of approximately RMB28,686,000 for the year ended December 31, 2016.

## 14 Finance expenses, net

|                                                      | Year ended December 31, |          |          |
|------------------------------------------------------|-------------------------|----------|----------|
|                                                      | 2015                    | 2016     | 2017     |
|                                                      | RMB'000                 | RMB'000  | RMB'000  |
| Exchange gains/(losses), net . . . . .               | 838                     | 6,635    | 412      |
| Interest income on bank deposits . . . . .           | 568                     | 2,124    | 6,093    |
| Bank charges . . . . .                               | (33)                    | (620)    | (3,210)  |
| Interest expenses of borrowings . . . . .            | (171)                   | (1,758)  | (18,722) |
| Financing expenses of preferred shares (a) . . . . . | (12,974)                | (71,079) | (32,351) |
|                                                      | (11,772)                | (64,698) | (47,778) |

(a) Finance expenses of preferred shares include primarily financial advisors fees, lawyer fees and warrant expenses in connection with preferred shares issuance.



## 15 Income tax expense/(credit)

|                               | Year ended December 31, |               |               |
|-------------------------------|-------------------------|---------------|---------------|
|                               | 2015                    | 2016          | 2017          |
|                               | RMB'000                 | RMB'000       | RMB'000       |
| Current income tax . . . . .  | 482                     | 70,280        | 996           |
| Deferred income tax . . . . . | (45,698)                | (31,443)      | 15,443        |
|                               | <u>(45,216)</u>         | <u>38,837</u> | <u>16,439</u> |

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profit/(loss) of the consolidated entities as follows:

|                                                                                       | Year ended December 31, |               |               |
|---------------------------------------------------------------------------------------|-------------------------|---------------|---------------|
|                                                                                       | 2015                    | 2016          | 2017          |
|                                                                                       | RMB'000                 | RMB'000       | RMB'000       |
| <b>Loss before income tax:</b>                                                        | (738,519)               | (2,192,605)   | (1,362,032)   |
| Tax calculated at PRC statutory income tax rate of 25% . . . . .                      | (184,630)               | (548,151)     | (340,508)     |
| Tax effects of:                                                                       |                         |               |               |
| Preferential income tax rates applicable to subsidiaries . . . . .                    | 292                     | 4,471         | (187,633)     |
| Effects from change of tax rates . . . . .                                            | —                       | 8,070         | (34,428)      |
| Effects from fair value change of preferred shares . .                                | 143,125                 | 580,897       | 512,705       |
| Research and development tax credit . . . . .                                         | —                       | (7,608)       | (3,375)       |
| Utilization of previously unrecognized tax losses . .                                 | (7,735)                 | —             | —             |
| Unrecognized deductible temporary difference and other permanent difference . . . . . | <u>3,732</u>            | <u>1,158</u>  | <u>69,678</u> |
| <b>Income tax expense/(credit) . . . . .</b>                                          | <u>(45,216)</u>         | <u>38,837</u> | <u>16,439</u> |

The Group's main applicable taxes and tax rates are as follows:

*Cayman Islands*

The Company was incorporated in the Cayman Islands. Under the current tax laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no withholding tax will be imposed to dividends distributed by the Company to its shareholders.

*BVI*

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

*HK*

The Group's entities incorporated in HK are subject to Corporate Income Tax rate of 16.5%.

*China*

Under the Law of the PRC on Enterprise Income Tax ("EIT Law"), the enterprises incorporated in the PRC are generally subject to a uniform enterprise income tax rate of 25%, except for entities qualified as "Software Enterprise", "High and New Technology Enterprise" or "Small low-profit Enterprise" for which preferential tax treatments are granted under EIT Law.

Enniu Network is qualified as High and New Technology Enterprise ("HNTE") under the EIT Law in 2016 and is entitled to a preferential income tax rate of 15% for three years, but are subject to the renewal of HNTEs every three years. In addition, Enniu Network is also qualified as "Software Enterprise" under EIT Law in 2017 and hence, is entitled to a two-year EIT exemption in 2016 and 2017 followed by a three-year 50% EIT rate reduction from 2018 to 2020. The qualification is subject to annual reassessment.

Dingli Technology and Yiniu Network are qualified as HNTEs in 2017 and are entitled to a preferential income tax rate of 15% for three years, but are subject to the renewal of HNTEs every three years.

Beijing Yaku Shikong Information Exchange Technology Co., Ltd. and Beijing Shouhui Shidai Information Technology Co., Ltd. are qualified as HNTEs in 2014 and 2015 respectively and entitled to a preferential income tax rate of 15% for three years, but subject to the renewal of HNTEs every three years.

Shanghai Jingjia Network Technology Co., Ltd. ("Jingjia Network") is qualified as Small Low-profit Enterprises under the EIT Law and are entitled to a preferential income tax rate of 10% for the year ended December 31, 2016.

All other subsidiaries of the Company established in the PRC are subject to EIT rate of 25%.

**Withholding Tax on Undistributed Profits**

According to the EIT Law, distribution of profits earned by 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.

During the Track Record Period, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on withholding tax was accrued as at the end of each reporting period.

## 16 Loss per share

- (a) Basic loss per share is calculated by dividing the loss of the Group attributable to owners of the Group by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares has reflected the effect of share split as disclosed in Note 43.

|                                                                                 | Year ended December 31, |                |               |
|---------------------------------------------------------------------------------|-------------------------|----------------|---------------|
|                                                                                 | 2015                    | 2016           | 2017          |
|                                                                                 | RMB'000                 | RMB'000        | RMB'000       |
| Loss attributable to owners of the Group. . . . .                               | (693,303)               | (2,231,442)    | (1,371,270)   |
| Weighted average number of ordinary shares in issue<br>( '000) (Note) . . . . . | 161,989                 | 163,415        | 173,613       |
| Basic loss per share (expressed in RMB). . . . .                                | <u>(4.28)</u>           | <u>(13.66)</u> | <u>(7.90)</u> |

*Note:* The loss per share as presented above has not taken into account the issued and outstanding Class B ordinary shares of the Company which are classified as financial liability. All Class B ordinary shares will be automatically converted into Class A ordinary share upon a qualified IPO.

- (b) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended December 31, 2015, 2016 and 2017, the Company had two categories of potential ordinary shares, convertible redeemable preferred shares issued by the Company (Note 31) and the shares options awarded (Note 30). As the Group incurred losses for the years ended December 31, 2015, 2016 and 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the years ended December 31, 2015, 2016 and 2017 are the same as basic loss per share of the respective years.

## 17 Property and equipment, net

|                                                           | Computer and<br>electronic<br>equipment | Office<br>furniture and<br>equipment | Leasehold<br>improvements | Total                |
|-----------------------------------------------------------|-----------------------------------------|--------------------------------------|---------------------------|----------------------|
|                                                           | RMB'000                                 | RMB'000                              | RMB'000                   | RMB'000              |
| <b>Cost</b>                                               |                                         |                                      |                           |                      |
| As at January 1, 2015 .....                               | 3,131                                   | 318                                  | —                         | 3,449                |
| Addition from purchases .....                             | 12,105                                  | 810                                  | —                         | 12,915               |
| Disposal. ....                                            | (267)                                   | —                                    | —                         | (267)                |
| As at December 31, 2015. ....                             | <u>14,969</u>                           | <u>1,128</u>                         | <u>—</u>                  | <u>16,097</u>        |
| <b>Accumulated depreciation</b>                           |                                         |                                      |                           |                      |
| As at January 1, 2015 .....                               | (764)                                   | (68)                                 | —                         | (832)                |
| Depreciation charge for the year .....                    | (2,411)                                 | (192)                                | —                         | (2,603)              |
| Disposal. ....                                            | 68                                      | —                                    | —                         | 68                   |
| As at December 31, 2015. ....                             | <u>(3,107)</u>                          | <u>(260)</u>                         | <u>—</u>                  | <u>(3,367)</u>       |
| <b>Net book value</b>                                     |                                         |                                      |                           |                      |
| <b>As at December 31, 2015 .....</b>                      | <u><u>11,862</u></u>                    | <u><u>868</u></u>                    | <u><u>—</u></u>           | <u><u>12,730</u></u> |
| <b>Cost</b>                                               |                                         |                                      |                           |                      |
| As at January 1, 2016 .....                               | 14,969                                  | 1,128                                | —                         | 16,097               |
| Addition from purchases .....                             | 12,387                                  | 5,933                                | 13,805                    | 32,125               |
| Addition through business combinations<br>(Note 40) ..... | 319                                     | 84                                   | —                         | 403                  |
| Disposal. ....                                            | (230)                                   | (466)                                | —                         | (696)                |
| As at December 31, 2016. ....                             | <u>27,445</u>                           | <u>6,679</u>                         | <u>13,805</u>             | <u>47,929</u>        |
| <b>Accumulated depreciation</b>                           |                                         |                                      |                           |                      |
| As at January 1, 2016 .....                               | (3,107)                                 | (260)                                | —                         | (3,367)              |
| Depreciation charge for the year .....                    | (5,949)                                 | (1,191)                              | (1,068)                   | (8,208)              |
| Disposal. ....                                            | 127                                     | 228                                  | —                         | 355                  |
| As at December 31, 2016. ....                             | <u>(8,929)</u>                          | <u>(1,223)</u>                       | <u>(1,068)</u>            | <u>(11,220)</u>      |
| <b>Net book value</b>                                     |                                         |                                      |                           |                      |
| <b>As at December 31, 2016 .....</b>                      | <u><u>18,516</u></u>                    | <u><u>5,456</u></u>                  | <u><u>12,737</u></u>      | <u><u>36,709</u></u> |

# APPENDIX I

# ACCOUNTANT'S REPORT

|                                                               | Computer<br>and<br>electronic<br>equipment | Office<br>furniture<br>and<br>equipment | Leasehold<br>improvements | Building       | Motor<br>vehicles | Total           |
|---------------------------------------------------------------|--------------------------------------------|-----------------------------------------|---------------------------|----------------|-------------------|-----------------|
|                                                               | RMB'000                                    | RMB'000                                 | RMB'000                   | RMB'000        | RMB'000           | RMB'000         |
| <b>Cost</b>                                                   |                                            |                                         |                           |                |                   |                 |
| As at January 1, 2017 . . . . .                               | 27,445                                     | 6,679                                   | 13,805                    | —              | —                 | 47,929          |
| Addition from purchases . . . . .                             | 43,184                                     | 13,855                                  | 44,554                    | 102,156        | 1,211             | 204,960         |
| Addition through business<br>combinations (Note 40) . . . . . | 6,364                                      | 363                                     | 40                        | —              | 280               | 7,047           |
| Disposal . . . . .                                            | (810)                                      | (347)                                   | (537)                     | —              | —                 | (1,694)         |
| As at December 31, 2017 . . . . .                             | <u>76,183</u>                              | <u>20,550</u>                           | <u>57,862</u>             | <u>102,156</u> | <u>1,491</u>      | <u>258,242</u>  |
| <b>Accumulated depreciation</b>                               |                                            |                                         |                           |                |                   |                 |
| As at January 1, 2017 . . . . .                               | (8,929)                                    | (1,223)                                 | (1,068)                   | —              | —                 | (11,220)        |
| Depreciation charge for the year . . . . .                    | (12,893)                                   | (3,871)                                 | (5,996)                   | (2,426)        | (72)              | (25,258)        |
| Disposal . . . . .                                            | 230                                        | 72                                      | —                         | —              | —                 | 302             |
| As at December 31, 2017 . . . . .                             | <u>(21,592)</u>                            | <u>(5,022)</u>                          | <u>(7,064)</u>            | <u>(2,426)</u> | <u>(72)</u>       | <u>(36,176)</u> |
| <b>Net book value</b>                                         |                                            |                                         |                           |                |                   |                 |
| As at December 31, 2017 . . . . .                             | <u>54,591</u>                              | <u>15,528</u>                           | <u>50,798</u>             | <u>99,730</u>  | <u>1,419</u>      | <u>222,066</u>  |

Depreciation expenses have been charged to the consolidated statements of comprehensive income as follows:

|                                               | Year ended December 31, |              |               |
|-----------------------------------------------|-------------------------|--------------|---------------|
|                                               | 2015                    | 2016         | 2017          |
|                                               | RMB'000                 | RMB'000      | RMB'000       |
| Origination and servicing expenses . . . . .  | 1,843                   | 5,914        | 17,495        |
| Sales and marketing expenses . . . . .        | 86                      | 362          | 440           |
| General and administrative expenses . . . . . | 223                     | 425          | 1,544         |
| Research and development expenses . . . . .   | <u>451</u>              | <u>1,507</u> | <u>5,779</u>  |
|                                               | <u>2,603</u>            | <u>8,208</u> | <u>25,258</u> |

## 18 Intangible assets

|                                                            | Goodwill       | Software       | Platform       | Applications | Licenses       | Total            |
|------------------------------------------------------------|----------------|----------------|----------------|--------------|----------------|------------------|
|                                                            | RMB'000        | RMB'000        | RMB'000        | RMB'000      | RMB'000        | RMB'000          |
|                                                            | (Note a)       |                |                |              | (Note b)       |                  |
| <b>Book value as at January 1 and</b>                      |                |                |                |              |                |                  |
| <b>December 31, 2015 . . . . .</b>                         | <u>—</u>       | <u>—</u>       | <u>—</u>       | <u>—</u>     | <u>—</u>       | <u>—</u>         |
| <b>Cost</b>                                                |                |                |                |              |                |                  |
| As at January 1, 2016 . . . . .                            | —              | —              | —              | —            | —              | —                |
| Addition from purchases . . . . .                          | —              | 2,269          | —              | —            | —              | 2,269            |
| Addition through business combinations (Note 40) . . . . . | 42,707         | —              | 9,810          | 3,260        | —              | 55,777           |
| As at December 31, 2016 . . . . .                          | <u>42,707</u>  | <u>2,269</u>   | <u>9,810</u>   | <u>3,260</u> | <u>—</u>       | <u>58,046</u>    |
| <b>Accumulated amortisation</b>                            |                |                |                |              |                |                  |
| As at January 1, 2016 . . . . .                            | —              | —              | —              | —            | —              | —                |
| Amortisation charge for the year . . . . .                 | —              | (192)          | (1,799)        | (299)        | —              | (2,290)          |
| As at December 31, 2016 . . . . .                          | <u>—</u>       | <u>(192)</u>   | <u>(1,799)</u> | <u>(299)</u> | <u>—</u>       | <u>(2,290)</u>   |
| <b>Net book value</b>                                      |                |                |                |              |                |                  |
| <b>As at December 31, 2016 . . . . .</b>                   | <u>42,707</u>  | <u>2,077</u>   | <u>8,011</u>   | <u>2,961</u> | <u>—</u>       | <u>55,756</u>    |
| <b>Cost</b>                                                |                |                |                |              |                |                  |
| As at January 1, 2017 . . . . .                            | 42,707         | 2,269          | 9,810          | 3,260        | —              | 58,046           |
| Addition from purchases . . . . .                          | —              | 6,439          | —              | —            | —              | 6,439            |
| Addition through business combinations (Note 40) . . . . . | 448,596        | 3,176          | —              | —            | 517,200        | 968,972          |
| As at December 31, 2017 . . . . .                          | <u>491,303</u> | <u>11,884</u>  | <u>9,810</u>   | <u>3,260</u> | <u>517,200</u> | <u>1,033,457</u> |
| <b>Accumulated amortisation</b>                            |                |                |                |              |                |                  |
| As at January 1, 2017 . . . . .                            | —              | (192)          | (1,799)        | (299)        | —              | (2,290)          |
| Amortisation charge for the year . . . . .                 | —              | (2,108)        | (1,962)        | (326)        | —              | (4,396)          |
| As at December 31, 2017 . . . . .                          | <u>—</u>       | <u>(2,300)</u> | <u>(3,761)</u> | <u>(625)</u> | <u>—</u>       | <u>(6,686)</u>   |
| <b>Net book value</b>                                      |                |                |                |              |                |                  |
| <b>As at December 31, 2017 . . . . .</b>                   | <u>491,303</u> | <u>9,584</u>   | <u>6,049</u>   | <u>2,635</u> | <u>517,200</u> | <u>1,026,771</u> |

- (a) Goodwill of RMB42,707,000, RMB132,454,000, RMB8,926,000, RMB 307,161,000 and RMB55,000 were recognized as the results of the acquisition of Dingli Technology in 2016 (Note 40(a)), China Netcom Technology Holdings Limited (“Netcom”), Shenzhen Zhongrong Insurance Brokers Co., Ltd. (“Zhongrong Insurance Brokers”), Beijing Shouhui Kaizhuo Technology Co., Ltd. (“Kaizhuo Technology”) (Note 40(b)) and Shanghai Qiantian Information Technology Co., Ltd. in 2017 by the Group, respectively. Goodwill is monitored at the operating segment level by the management. The management assessed Netcom as one separate operating segment (“Netcome Unit”) and the Group excluding Netcom as the other operating segment (“Core Unit”).

Impairment review on the goodwill of the Group has been conducted by the management as at December 31, 2016 and 2017 according to IAS 36 "Impairment of assets". For the purpose of impairment review, the recoverable amount of the goodwill is determined based on the value in use calculations. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five to six year period. The period used in cash flow projection in the goodwill impairment assessment should be six years for Core Unit as of December 31, 2016. Under paragraph 33(b) of IAS 36, a period longer than five years can be used if it is justifiable, and the management of the Group used a six-year period as at December 31, 2016, which takes into account the length of the post projection period for the cash flow forecast will be perpetuity, and this shall be achieved by identifying a 'steady state' set of assumptions for the cash flows in the last year of the forecasts and applying a terminal value multiple to those cash flows. Therefore, given the Group expects to maintain an extended high growth rate over a period longer than 5 years, management of the Group considers that the core business unit of the Group is expected to reach a steady and stable terminal growth state likely after a six-year period of gradually declining revenue growth. The expected annual growth rates over the six-year forecast period are based on the Group's past performance and management's expectation of future market and business developments based on the fact that other competitors still have a high growth rate over six-year period. Key assumptions for the value in use calculations relate to the estimation of cash flows which include expected annual growth rate and gross margin, such estimation based on each operating segment's past performance and management's expectations for the market development. The pre-tax discount rates used reflect specific risks relating to each relevant operating segment. As at December 31, 2016 and 2017, key parameters for goodwill used for value-in-use calculations are set as below:

|                                 | As at December 31, |               |
|---------------------------------|--------------------|---------------|
|                                 | 2016               | 2017          |
| Annual growth rates . . . . .   | 5.00%-157.00%      | 0.10%-512.00% |
| Gross margin . . . . .          | 74.00%-75.00%      | 68.00%-78.00% |
| Pre-tax discount rate . . . . . | 17.29%             | 17.32%-23.92% |

Based on the assessment, no provision for impairment on goodwill was required for the Track Record Period.

Based on the result of the goodwill impairment testing, the estimated recoverable amount exceeded its carrying amount of Core Unit by approximately RMB5,272,026,000 as of December 31, 2016 and the estimated recoverable amount exceeded its carrying amount of Core Unit and Netcom Unit by approximately RMB8,002,306,000 and RMB161,200,000 as of December 31, 2017 respectively. The management of the Group has not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount to exceed the recoverable amount of Core Unit as of December 31, 2016 and 2017 respectively. Assuming the gross margin decreased by 21.0% of Netcom Unit, the carrying amount of Netcom Unit would be equal to the recoverable amount as of December 31, 2017.

If the annual growth rate and gross margin for each year covering a five to six year period used in the value-in-use calculation had been 5% lower than our management's estimates and if the pre-tax discount rate applied to the cash flow projections had been 5% higher than our management's estimates as at December 31, 2016 and 2017 respectively, the estimated recoverable amount shall exceed its carrying amount listed in below table:

| As at December 31, 2016 |                    |                  |                          |
|-------------------------|--------------------|------------------|--------------------------|
|                         | Annual Growth Rate | Gross Margin     | Pre-tax<br>Discount Rate |
|                         | RMB'000            | RMB'000          | RMB'000                  |
| Core Unit. . . . .      | <u>4,525,247</u>   | <u>4,353,478</u> | <u>3,639,535</u>         |
| As at December 31, 2017 |                    |                  |                          |
|                         | Annual Growth Rate | Gross Margin     | Pre-tax<br>Discount Rate |
|                         | RMB'000            | RMB'000          | RMB'000                  |
| Core Unit. . . . .      | 6,590,969          | 6,268,227        | 5,345,172                |
| Netcom Unit . . . . .   | 136,299            | 130,440          | 102,154                  |

- (b) The Group's licenses represent the insurance license of Zhongrong Insurance Brokers and the third party payment license of Kaizhuo Technology acquired by the Group on November 29, 2017 and December 31, 2017 (Note 40(b)), respectively. In respect of the third party payment license which the accounts for the majority of the Group's license balance, its carrying amount as of December 31, 2017 was equal to its fair value as determined for purchase price allocation using discounted cashflow method on the acquisition day. No impairment for the license was expected on December 31, 2017, the acquisition day. For the sensitivity analysis, any difference in the valuation of the license upon the acquisition as a result of the changes in the key assumptions/parameters will become an adjustment to the goodwill of Core Unit, which had a headroom of approximately RMB8 billion as of December 31, 2017 as disclosed Note 18(a) above.

(c) **Amortization of intangible assets**

Amortization charges of intangible assets were expensed in the following categories in the consolidated statements of comprehensive income:

| Year ended December 31,                       |          |              |              |
|-----------------------------------------------|----------|--------------|--------------|
|                                               | 2015     | 2016         | 2017         |
|                                               | RMB'000  | RMB'000      | RMB'000      |
| Origination and servicing expenses . . . . .  | —        | 877          | 2,270        |
| General and administrative expenses . . . . . | —        | 576          | 1,178        |
| Research and development expenses . . . . .   | —        | 837          | 948          |
|                                               | <u>—</u> | <u>2,290</u> | <u>4,396</u> |



## 19 Investments accounted for using equity method

|                      | As at December 31, |               |                |
|----------------------|--------------------|---------------|----------------|
|                      | 2015               | 2016          | 2017           |
|                      | RMB'000            | RMB'000       | RMB'000        |
| Associates . . . . . | <u>7,932</u>       | <u>12,285</u> | <u>145,732</u> |

The movement of the Group's interests in associates is as follows:

|                                         | As at December 31,  |                      |                       |
|-----------------------------------------|---------------------|----------------------|-----------------------|
|                                         | 2015                | 2016                 | 2017                  |
|                                         | RMB'000             | RMB'000              | RMB'000               |
| At the beginning of the year . . . . .  | —                   | 7,932                | 12,285                |
| Addition . . . . .                      | 8,000               | 5,000                | 135,902               |
| Disposal . . . . .                      | —                   | —                    | (990)                 |
| Share of losses . . . . .               | <u>(68)</u>         | <u>(647)</u>         | <u>(1,465)</u>        |
| <b>At the end of the year . . . . .</b> | <b><u>7,932</u></b> | <b><u>12,285</u></b> | <b><u>145,732</u></b> |

The investments in associates as at December 31, 2015, 2016 and 2017 are as follows:

| Name of Entity                                         | Date of incorporation | Place of incorporation | Percentage of ownership interest attributable to the Group |        |        | Principal activities              |
|--------------------------------------------------------|-----------------------|------------------------|------------------------------------------------------------|--------|--------|-----------------------------------|
|                                                        |                       |                        | As at December 31,                                         |        |        |                                   |
|                                                        |                       |                        | 2015                                                       | 2016   | 2017   |                                   |
| Beijing Caizhiyun Investment Management Co., Ltd.* (a) | October 29, 2014      | PRC                    | 10.00%                                                     | 10.00% | 10.00% | Development and operation of apps |
| Anniu Technology* (b)                                  | October 9, 2016       | PRC                    | —                                                          | 40.97% | 30.97% | Development and operation of apps |
| Hangzhou Shanniu Catering Management Co., Ltd. *       | August 29, 2017       | PRC                    | —                                                          | —      | 30.00% | Catering services                 |
| Beijing Juece Xincheng Technology Co., Ltd.* (c)       | December 29, 2006     | PRC                    | —                                                          | —      | 49.61% | Development and operation of apps |

| Name of Entity                                         | Date of incorporation | Place of incorporation | Percentage of ownership interest attributable to the Group |      |        | Principal activities     |
|--------------------------------------------------------|-----------------------|------------------------|------------------------------------------------------------|------|--------|--------------------------|
|                                                        |                       |                        | As at December 31,                                         |      |        |                          |
|                                                        |                       |                        | 2015                                                       | 2016 | 2017   |                          |
| Hangzhou Xinyada Fantai Technology Co., Ltd.* (d)      | May 26, 2016          | PRC                    | —                                                          | —    | 13.76% | Technology services      |
| Shanghai Pengshu Information Technology Co., Ltd.* (e) | February 6, 2016      | PRC                    | —                                                          | —    | 8.42%  | Loan collection services |

- (a) On October 30, 2015, the Group acquired 10.00% equity interests in Beijing Caizhiyun Investment Management Co., Ltd. (北京財智雲投資管理有限公司, “Caizhiyun”). According to Caizhiyun’s Article of Association, the Group is entitled to appoint one director in the Board of Directors of Caizhiyun (3 board seats in total), and the Group’s management considers that the Group has the power to exercise significant influence in Caizhiyun through the participation in operational and financial policy-making process. Consequently, Caizhiyun has been accounted for the investment using equity method.
- (b) On November 17, 2016, the Group acquired 40.97% equity interests in Anniu Technology. In July 2017, the Group disposed 10.00% equity interests at carrying amount of RMB990,000 for a cash consideration of RMB1,250,000. As at December 31, 2017, the Group held 30.97% interests in Anniu Technology.
- (c) On December 26, 2017, the Group acquired 49.61% equity interests in Beijing Juece Xincheng Technology Co., Ltd. (北京決策信誠科技有限公司, “Juece”). According to Juece’s Article of Association, the Group is entitled to appoint one director in the Board of Directors of Juece (3 board seats in total), and the Group’s management considers that the Group has the power to exercise significant influence in Juece through the participation in operational and financial policy-making process. Consequently, Juece has been accounted for the investment using equity method.
- (d) On October 23, 2017, the Group acquired 13.76% equity interests in Hangzhou Xinyada Fantai Technology Co., Ltd. (杭州信雅達泛泰科技有限公司, “Xinyada”). According to Xinyada’s Article of Association, the Group is entitled to appoint one director in the Board of Directors of Xinyada (5 board seats in total), and the Group’s management considers that the Group has the power to exercise significant influence in Xinyada through the participation in operational and financial policy-making process. Consequently, Xinyada has been accounted for the investment using equity method.
- (e) On December 31, 2017, the Group acquired 8.42% equity interests in Shanghai Pengshu Information Technology Co., Ltd. (上海朋數信息科技有限公司, “Pengshu”). According to Pengshu’s Article of Association, the Group is entitled to appoint one director in the Board of Directors of Pengshu (5 board seats in total), and the Group’s management considers that the Group has the power to exercise significant influence in Pengshu through the participation in operational and financial policy-making process. Consequently, Pengshu has been accounted for the investment using equity method.

\* The English names of the associates represent the best effort by the Company’s management to translate their Chinese names, as these associates do not have official English names.

Set out below is the summarized financial information of the Group's major associate, Juece, which is accounted for using equity method.

|                                   | Juece        |         |         |
|-----------------------------------|--------------|---------|---------|
|                                   | December 31, |         |         |
|                                   | 2015         | 2016    | 2017    |
|                                   | RMB'000      | RMB'000 | RMB'000 |
| Current assets . . . . .          | —            | —       | 27,685  |
| Non-current assets . . . . .      | —            | —       | 938     |
| Current liabilities . . . . .     | —            | —       | 7,182   |
| Non-current liabilities . . . . . | —            | —       | —       |
| Revenue . . . . .                 | —            | —       | 39,349  |
| Profit for the year . . . . .     | —            | —       | 274     |

Set out below is the reconciliation of summarised financial information presented to the carrying amount of its interest in the associate.

|                                                          | Juece        |         |         |
|----------------------------------------------------------|--------------|---------|---------|
|                                                          | December 31, |         |         |
|                                                          | 2015         | 2016    | 2017    |
|                                                          | RMB'000      | RMB'000 | RMB'000 |
| <b>Net assets at the beginning of the year . . . . .</b> | —            | —       | —       |
| Incorporation of an associate . . . . .                  | —            | —       | 21,441  |
| Profit/(loss) for the year . . . . .                     | —            | —       | —       |
| Dividends . . . . .                                      | —            | —       | —       |
| <b>Net assets the end of the year . . . . .</b>          | —            | —       | 21,441  |
| Interest in associates . . . . .                         | —            | —       | 49.61%  |
| Goodwill . . . . .                                       | —            | —       | 75,198  |
| <b>Carrying value . . . . .</b>                          | —            | —       | 85,835  |

## 20 Financial assets designated at fair value through profit or loss

|                                                    | As at December 31, |                |                |
|----------------------------------------------------|--------------------|----------------|----------------|
|                                                    | 2015               | 2016           | 2017           |
|                                                    | RMB'000            | RMB'000        | RMB'000        |
| <b>Included in non-current assets</b>              |                    |                |                |
| - Investment in debt host securities (a) . . . . . | —                  | 17,691         | 353,060        |
| - Investment in investment fund (b) . . . . .      | —                  | —              | 59,801         |
| - Investment in equity host securities . . . . .   | —                  | 200            | 12,232         |
|                                                    | —                  | 17,891         | 425,093        |
| <b>Included in current assets</b>                  |                    |                |                |
| - Wealth management products (c) . . . . .         | 15,000             | 89,187         | 334,471        |
|                                                    | <u>15,000</u>      | <u>107,078</u> | <u>759,564</u> |

- (a) Investment in debt host securities mainly represents investment in certain ordinary shares with liquidation preference and preferred shares in certain privately owned companies. The Group made investments in certain redeemable convertible preferred shares and ordinary shares with liquidation preference rights of certain companies that are engaged in providing internet information and technology services. These investments contain embedded derivatives that are not closely related to the host contract. After considering the Group's investment objectives and intentions, the Group does not bifurcate the embedded derivatives from the host instruments and designates the entire hybrid contracts as financial assets at fair value through profit or loss, with the changes in the fair value recorded in "Other gains/(losses), net" in the consolidated statements of comprehensive income. The Company determines the respective fair values as at the end of each reporting period based on the expected discounted cash flow and market multiple of comparable companies.

|                                                                 | As at December 31, |               |                |
|-----------------------------------------------------------------|--------------------|---------------|----------------|
|                                                                 | 2015               | 2016          | 2017           |
|                                                                 | RMB'000            | RMB'000       | RMB'000        |
| At the beginning of the year . . . . .                          | —                  | —             | 17,691         |
| Additions . . . . .                                             | —                  | 25,411        | 169,101        |
| Fair value gain of investment in debt host securities . . . . . | —                  | —             | 171,268        |
| Disposal . . . . .                                              | —                  | (7,720)       | (5,000)        |
| <b>At the end of the year . . . . .</b>                         | <u>—</u>           | <u>17,691</u> | <u>353,060</u> |

- (b) In March and June 2017, the Group made investments of RMB11,000,000 and RMB11,250,000, respectively, in certain funds to invest in industry value chain. The Group managed and evaluated these investments on a fair value basis. These investments were designated as fair value through profit or loss upon initial recognition.

|                                                            | As at December 31, |          |               |
|------------------------------------------------------------|--------------------|----------|---------------|
|                                                            | 2015               | 2016     | 2017          |
|                                                            | RMB'000            | RMB'000  | RMB'000       |
| At the beginning of the year . . . . .                     | —                  | —        | —             |
| Additions . . . . .                                        | —                  | —        | 51,390        |
| Fair value gain of investment in investment fund . . . . . | —                  | —        | 8,411         |
| At the end of the year. . . . .                            | <u>—</u>           | <u>—</u> | <u>59,801</u> |

- (c) The wealth management products represent investment in wealth management products issued by banks in the PRC with expected income rates ranging from 2.4% to 4.6% per annum during the Track Record Period. The returns on all of these wealth management products are not guaranteed, and therefore the Group designated them as financial assets designated at fair value through profit or loss. As at December 31, 2015, 2016 and 2017, the carrying amount of wealth management products approximates their fair value. The fair values are based on the bank quoted expected returns and are within level 2 of the fair value hierarchy.

## 21 Deferred income tax

|                                                       | As at December 31, |                |                  |
|-------------------------------------------------------|--------------------|----------------|------------------|
|                                                       | 2015               | 2016           | 2017             |
|                                                       | RMB'000            | RMB'000        | RMB'000          |
| Deferred income tax assets:                           |                    |                |                  |
| - to be recovered after more than 12 months . . . . . | 25,265             | 40,062         | 32,042           |
| - to be recovered within 12 months . . . . .          | <u>21,339</u>      | <u>39,774</u>  | <u>72,514</u>    |
|                                                       | <u>46,604</u>      | <u>79,836</u>  | <u>104,556</u>   |
| Deferred income tax liabilities:                      |                    |                |                  |
| - to be recovered after more than 12 months . . . . . | —                  | (1,740)        | (159,989)        |
| - to be recovered within 12 months . . . . .          | <u>(903)</u>       | <u>(3,141)</u> | <u>(16,897)</u>  |
|                                                       | <u>(903)</u>       | <u>(4,881)</u> | <u>(176,886)</u> |

**APPENDIX I**
**ACCOUNTANT'S REPORT**

|                                               | Net impact<br>of revenue<br>and risk<br>reserve<br>fund<br>recognition | Advertising<br>expenses | Unrealised<br>profits<br>from<br>consolidated<br>trust<br>schemes | Tax losses | Unrealised<br>investment<br>gains | Other<br>temporary<br>differences | Intangible<br>assets<br>acquired in<br>business<br>combination | Total     |
|-----------------------------------------------|------------------------------------------------------------------------|-------------------------|-------------------------------------------------------------------|------------|-----------------------------------|-----------------------------------|----------------------------------------------------------------|-----------|
|                                               | RMB'000                                                                | RMB'000                 | RMB'000                                                           | RMB'000    | RMB'000                           | RMB'000                           | RMB'000                                                        | RMB'000   |
| <b>As at January 1,</b>                       |                                                                        |                         |                                                                   |            |                                   |                                   |                                                                |           |
| 2015 . . . . .                                | —                                                                      | —                       | —                                                                 | —          | —                                 | —                                 | —                                                              | —         |
| Recognized in the<br>profit or loss . . . . . | (903)                                                                  | 21,337                  | —                                                                 | 25,267     | —                                 | —                                 | —                                                              | 45,701    |
| <b>As at December 31,</b>                     |                                                                        |                         |                                                                   |            |                                   |                                   |                                                                |           |
| 2015 . . . . .                                | (903)                                                                  | 21,337                  | —                                                                 | 25,267     | —                                 | —                                 | —                                                              | 45,701    |
| <b>As at January 1,</b>                       |                                                                        |                         |                                                                   |            |                                   |                                   |                                                                |           |
| 2016 . . . . .                                | (903)                                                                  | 21,337                  | —                                                                 | 25,267     | —                                 | —                                 | —                                                              | 45,701    |
| Acquisition of a<br>subsidiary . . . . .      | —                                                                      | —                       | —                                                                 | —          | —                                 | —                                 | (2,189)                                                        | (2,189)   |
| Recognized in the<br>profit or loss . . . . . | 40,677                                                                 | (2,326)                 | (3,142)                                                           | (18,405)   | —                                 | 14,190                            | 449                                                            | 31,443    |
| <b>As at December 31,</b>                     |                                                                        |                         |                                                                   |            |                                   |                                   |                                                                |           |
| 2016 . . . . .                                | 39,774                                                                 | 19,011                  | (3,142)                                                           | 6,862      | —                                 | 14,190                            | (1,740)                                                        | 74,955    |
| <b>As at January 1,</b>                       |                                                                        |                         |                                                                   |            |                                   |                                   |                                                                |           |
| 2017 . . . . .                                | 39,774                                                                 | 19,011                  | (3,142)                                                           | 6,862      | —                                 | 14,190                            | (1,740)                                                        | 74,955    |
| Acquisition of<br>subsidiaries . . . . .      | —                                                                      | —                       | —                                                                 | —          | —                                 | —                                 | (131,842)                                                      | (131,842) |
| Recognized in the<br>profit or loss . . . . . | 32,740                                                                 | (199)                   | (13,754)                                                          | (6,432)    | (26,825)                          | (1,390)                           | 417                                                            | (15,443)  |
| <b>As at December 31,</b>                     |                                                                        |                         |                                                                   |            |                                   |                                   |                                                                |           |
| 2017 . . . . .                                | 72,514                                                                 | 18,812                  | (16,896)                                                          | 430        | (26,825)                          | 12,800                            | (133,165)                                                      | (72,330)  |

Deferred income tax assets are recognized for tax losses carrying forwards and deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at December 31, 2015, 2016 and 2017, the Group did not recognize deferred income tax assets in respect of losses and deductible temporary differences of approximately RMB7,844,000, RMB19,828,000 and RMB68,052,000, respectively. These tax losses will expire from 2020 to 2022.

As at December 31, 2015, 2016 and 2017, deferred income tax liabilities of approximately RMB145,000, RMB1,877,000 and RMB129,667,000, respectively, have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. As at December 31, 2015, 2016 and 2017 unremitted earnings amounted to approximately RMB1,446,000, RMB18,766,000 and RMB1,296,674,000, respectively.

## 22 Prepayments and other receivables

|                                         | As at December 31, |                |                |
|-----------------------------------------|--------------------|----------------|----------------|
|                                         | 2015               | 2016           | 2017           |
|                                         | RMB'000            | RMB'000        | RMB'000        |
| Deposits .....                          | 1,719              | 19,584         | 183,354        |
| Receivables from shareholders (a) ..... | —                  | 523,276        | 85,522         |
| Prepaid expenses .....                  | 12,016             | 16,266         | 48,245         |
| Others .....                            | 6,405              | 21,801         | 38,678         |
|                                         | <u>20,140</u>      | <u>580,927</u> | <u>355,799</u> |

(a) The balances as at December 31, 2016 and 2017 represented the capital contributions due from certain preferred shareholders during the issuance of Series C preferred shares and the Reorganization respectively.

## 23 Quality assurance fund payable and receivable

The following table sets forth the Group's quality assurance fund payable movements for the years ended December 31, 2015, 2016 and 2017:

|                                                                | Year ended December 31, |                       |                         |
|----------------------------------------------------------------|-------------------------|-----------------------|-------------------------|
|                                                                | 2015                    | 2016                  | 2017                    |
|                                                                | RMB'000                 | RMB'000               | RMB'000                 |
| Opening balance .....                                          | —                       | 77,676                | 706,612                 |
| Fair value of newly written quality assurance obligation ..... | 83,425                  | 866,137               | 2,681,917               |
| Release of the margin .....                                    | (3,383)                 | (61,116)              | (210,898)               |
| Payouts during the year, net .....                             | <u>(2,366)</u>          | <u>(176,085)</u>      | <u>(1,410,421)</u>      |
| <b>Ending balance .....</b>                                    | <b><u>77,676</u></b>    | <b><u>706,612</u></b> | <b><u>1,767,210</u></b> |

The following table sets forth the Group's quality assurance fund receivable movements for the years ended December 31, 2015, 2016 and 2017:

|                                                                | Year ended December 31, |                       |                         |
|----------------------------------------------------------------|-------------------------|-----------------------|-------------------------|
|                                                                | 2015                    | 2016                  | 2017                    |
|                                                                | RMB'000                 | RMB'000               | RMB'000                 |
| Opening balance .....                                          | —                       | 63,150                | 576,921                 |
| Fair value of newly written quality assurance obligation ..... | 83,425                  | 866,137               | 2,681,917               |
| Impairment .....                                               | (14,423)                | (69,357)              | (247,483)               |
| Contribution received from borrowers .....                     | <u>(5,852)</u>          | <u>(283,009)</u>      | <u>(1,603,374)</u>      |
| <b>Ending balance .....</b>                                    | <b><u>63,150</u></b>    | <b><u>576,921</u></b> | <b><u>1,407,981</u></b> |

## 24 Contract assets/(liabilities)

|                                       | As at December 31, |                 |                 |
|---------------------------------------|--------------------|-----------------|-----------------|
|                                       | 2015               | 2016            | 2017            |
|                                       | RMB'000            | RMB'000         | RMB'000         |
| Contract assets . . . . .             | 19,600             | 1,670           | 24,625          |
| Impairment allowance . . . . .        | (1,462)            | (103)           | (1,933)         |
| <b>Contract assets, net . . . . .</b> | <u>18,138</u>      | <u>1,567</u>    | <u>22,692</u>   |
| <b>Contract liabilities . . . . .</b> | <u>—</u>           | <u>(30,973)</u> | <u>(49,714)</u> |

The activity in the total impairment allowance for the years ended December 31, 2015, 2016 and 2017 consisted of the following:

|                                   | Year ended December 31, |              |                |
|-----------------------------------|-------------------------|--------------|----------------|
|                                   | 2015                    | 2016         | 2017           |
|                                   | RMB'000                 | RMB'000      | RMB'000        |
| Beginning balance . . . . .       | —                       | (1,462)      | (103)          |
| Provisions for the year . . . . . | (1,462)                 | 1,359        | (1,830)        |
| <b>Ending balance . . . . .</b>   | <u>(1,462)</u>          | <u>(103)</u> | <u>(1,933)</u> |

## 25 Trade receivables

|                                                                           | As at December 31, |               |               |
|---------------------------------------------------------------------------|--------------------|---------------|---------------|
|                                                                           | 2015               | 2016          | 2017          |
|                                                                           | RMB'000            | RMB'000       | RMB'000       |
| Loan referral and credit card technology service<br>receivables . . . . . | 11,309             | 35,193        | 56,599        |
| Others . . . . .                                                          | —                  | —             | 3,358         |
|                                                                           | <u>11,309</u>      | <u>35,193</u> | <u>59,957</u> |



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

|                                                         | As at December 31, |               |               |
|---------------------------------------------------------|--------------------|---------------|---------------|
|                                                         | 2015               | 2016          | 2017          |
|                                                         | RMB'000            | RMB'000       | RMB'000       |
| <b>Within 30 days:</b>                                  |                    |               |               |
| Loan and credit card technology service receivables . . | 10,760             | 31,646        | 53,621        |
| Others . . . . .                                        | —                  | —             | 2,196         |
| <b>More than 30 days:</b>                               |                    |               |               |
| Loan and credit card technology service receivables . . | 549                | 3,547         | 2,978         |
| Others . . . . .                                        | —                  | —             | 1,162         |
|                                                         | <u>11,309</u>      | <u>35,193</u> | <u>59,957</u> |

## 26 Loans to customers, net

|                                             | As at December 31, |                |                |
|---------------------------------------------|--------------------|----------------|----------------|
|                                             | 2015               | 2016           | 2017           |
|                                             | RMB'000            | RMB'000        | RMB'000        |
| Loans . . . . .                             | —                  | 203,114        | 1,050,759      |
| Less: Impairment allowance . . . . .        | —                  | (6,160)        | (101,772)      |
| - Individual impairment allowance . . . . . | —                  | (2,635)        | (87,320)       |
| - Collective impairment allowance . . . . . | —                  | (3,525)        | (14,452)       |
| <b>Loans to customers, net.</b> . . . .     | <u>—</u>           | <u>196,954</u> | <u>948,987</u> |

|                                          | Overdue days         |                       |                        |                  |
|------------------------------------------|----------------------|-----------------------|------------------------|------------------|
|                                          | Less than<br>30 days | 30 days to<br>90 days | 90 days to<br>180 days | Over<br>180 days |
|                                          | RMB'000              | RMB'000               | RMB'000                | RMB'000          |
| <b>As at December 31, 2015</b> . . . . . |                      |                       |                        |                  |
| Loans to customers past due . . . . .    | —                    | —                     | —                      | —                |
| <b>As at December 31, 2016</b> . . . . . |                      |                       |                        |                  |
| Loans to customers past due . . . . .    | <u>2,657</u>         | <u>3,288</u>          | <u>2,613</u>           | <u>22</u>        |
| <b>As at December 31, 2017</b> . . . . . |                      |                       |                        |                  |
| Loans to customers past due . . . . .    | <u>26,211</u>        | <u>22,514</u>         | <u>81,838</u>          | <u>5,482</u>     |

The activity in the total impairment allowance for the years ended December 31, 2015, 2016 and 2017 consisted of the following:

|                                 | Year ended December 31, |                |                  |
|---------------------------------|-------------------------|----------------|------------------|
|                                 | 2015                    | 2016           | 2017             |
|                                 | RMB'000                 | RMB'000        | RMB'000          |
| Beginning balance . . . . .     | —                       | —              | (6,160)          |
| Provisions . . . . .            | —                       | (6,160)        | (95,612)         |
| <b>Ending balance . . . . .</b> | <b>—</b>                | <b>(6,160)</b> | <b>(101,772)</b> |

As at December 31, 2016 and 2017, these loans are primarily personal loans made to individual borrowers through the consolidated trusts and a subsidiary of the Group. The interest rates of these loans ranged between 14% to 29% for the year end December 31, 2016 and 2017.

Since June 2016, the Group established the business relationship with the trusts which were administered by a third-party trust company. The trusts were set up with total assets of RMB200 million and RMB1,000 million in 2016 and 2017 respectively, which invested solely in loans on the Group's platform to provide returns to the sole beneficiaries of the trusts. As at December 31, 2016 and 2017, the Group held the subordinated tranches of the trusts amounting to RMB40 million and RMB50 million respectively and the third party investors held the senior tranches of the trusts amounting to RMB160 million and RMB950 million respectively. According to the trust agreements, the principal of the senior tranches and their expected return were fully guaranteed by the Group and the Group is entitled to the residual profits of the trusts. In addition, the trusts only invest in loans suggested by the Group who has the power to direct the activities of the trusts. As a result, the Group is considered as the primary beneficiary of the trusts and consolidated the assets, liabilities, results of operations and cash flows of the trusts.

Set out below are the summarized financial information for the consolidated trusts included in the Historical Financial Information. There were no loans written off for the years ended December 31, 2016 and 2017.

|                                                             | December 31, |             |
|-------------------------------------------------------------|--------------|-------------|
|                                                             | 2016         | 2017        |
|                                                             | RMB'Million  | RMB'Million |
| Cash and cash equivalents . . . . .                         | 4            | 150         |
| Loans to customers, net . . . . .                           | 202          | 859         |
| Payable to trust senior tranche holders . . . . .           | 160          | 950         |
| Interest income of loans to customers . . . . .             | 28           | 164         |
| Interest expenses to trust senior tranche holders . . . . . | 6            | 44          |
| Impairment loss . . . . .                                   | <u>6</u>     | <u>42</u>   |

## 27 Cash and bank balances

## (a) Cash and cash equivalents

**Group**

|                                                                             | As at December 31, |                  |                  |
|-----------------------------------------------------------------------------|--------------------|------------------|------------------|
|                                                                             | 2015               | 2016             | 2017             |
|                                                                             | RMB'000            | RMB'000          | RMB'000          |
| Cash at bank <sup>(i)</sup> . . . . .                                       | 286,752            | 1,015,113        | 1,258,446        |
| Short-term bank deposits with initial term within<br>three months . . . . . | —                  | 1,088,967        | —                |
|                                                                             | <u>286,752</u>     | <u>2,104,080</u> | <u>1,258,446</u> |

- (i) Cash in bank includes cash in trust schemes of approximately RMB8,624,000 and RMB150,224,000 as at December 31, 2016 and 2017, respectively.

**Company**

|                        | As at December 31, |         |         |
|------------------------|--------------------|---------|---------|
|                        | 2015               | 2016    | 2017    |
|                        | RMB'000            | RMB'000 | RMB'000 |
| Cash at bank . . . . . | —                  | —       | 300,946 |

## (b) Restricted cash

**Group**

|                                                          | As at December 31, |                |                  |
|----------------------------------------------------------|--------------------|----------------|------------------|
|                                                          | 2015               | 2016           | 2017             |
|                                                          | RMB'000            | RMB'000        | RMB'000          |
| Cash held on behalf of investors through platform (i) .  | 11,609             | 92,330         | 686,583          |
| Cash restricted for equity investment (ii). . . . .      | —                  | —              | 417,545          |
| Cash in quality assurance fund (iii). . . . .            | 3,486              | 110,410        | 303,363          |
| Deposit of forward foreign exchange contracts (iv) . . . | —                  | 95,473         | —                |
|                                                          | <u>15,095</u>      | <u>298,213</u> | <u>1,407,491</u> |

- (i) Cash held on behalf of investors through platform as of December 31, 2015, 2016 and 2017 mainly represented the cash in custody account with Bank of Beijing to hold user's fund.

- (ii) Cash restricted for equity investment is cash used for the acquisition of Kaizhuo Technology in 2017 (Note 40(b)).

(iii) Cash in quality assurance fund is cash managed by the Group for the default payouts. There is no other use of these funds except for making payments to investors for default loans that are subject to quality assurance fund.

(iv) Deposit of forward foreign exchange contracts is cash transferred to restricted accounts for the purpose of purchasing forward foreign exchange contracts, which will be released upon the settlement of the related forward contracts (Note 35).

(c) *Term deposits*

**Group**

|                                                         | As at December 31, |          |              |
|---------------------------------------------------------|--------------------|----------|--------------|
|                                                         | 2015               | 2016     | 2017         |
|                                                         | RMB'000            | RMB'000  | RMB'000      |
| Term deposits with initial term over three months . . . | <u>—</u>           | <u>—</u> | <u>5,000</u> |

**28 Share capital, share premium and share held for employee incentive scheme**

|                                                                    | Number of<br>shares | Share capital |           | Share<br>premium | Share held<br>for<br>employee<br>incentive<br>scheme |
|--------------------------------------------------------------------|---------------------|---------------|-----------|------------------|------------------------------------------------------|
|                                                                    |                     | US\$'000      | RMB'000   | RMB'000          | RMB'000                                              |
|                                                                    |                     |               |           |                  |                                                      |
| As at January 1, 2017 . . . . .                                    | —                   | —             | —         | —                | —                                                    |
| Issuance of ordinary shares (a) . . . .                            | 17,037,400          | 2             | 11        | 33,134           | —                                                    |
| Issuance of shares held for<br>employee incentive scheme (b) . . . | 12,744,500          | 1             | 9         | —                | (9)                                                  |
| As at December 31, 2017 . . . . .                                  | <u>29,781,900</u>   | <u>3</u>      | <u>20</u> | <u>33,134</u>    | <u>(9)</u>                                           |

(a) The shares as presented above has not taken into account the issued and outstanding Class B ordinary shares of the Company which are classified as financial liability and included in Preferred shares in the Consolidated Statement of Financial Position (Note 31). All Class B ordinary shares will be automatically converted into Class A ordinary share upon a qualified IPO.

(b) Pursuant to the Reorganisation, the Company issued 29,781,900 Class A ordinary shares, among which 12,744,500 Class A ordinary shares were issued to 51 Award Limited and 51 Stock Limited which are established for the purpose of administering and holding the Company's shares for employee incentive schemes (Note 30).

Among the total shares issued, 319,500 ordinary shares were issued to an investor for a total consideration of approximately RMB33,134,000. As of December 31, 2017, the total consideration has not been collected by the Company.

The above number of shares did not reflect the effect of share split as disclosed in Note 43.

## 29 Reserves

## The Group

|                                                                   | Other reserve    | Share-based<br>compensation<br>reserve | Translation<br>reserve | Total            |
|-------------------------------------------------------------------|------------------|----------------------------------------|------------------------|------------------|
|                                                                   | RMB'000          | RMB'000                                | RMB'000                | RMB'000          |
| <b>As at January 1, 2015</b> .....                                | 955              | —                                      | —                      | 955              |
| Capital contribution from preferred<br>shareholders (a) .....     | 4,170            | —                                      | —                      | 4,170            |
| Share incentive awarded under share<br>incentive plan .....       | —                | 4,671                                  | —                      | 4,671            |
| Currency translation differences (b) .....                        | —                | —                                      | (41,586)               | (41,586)         |
| <b>As at December 31, 2015</b> .....                              | <u>5,125</u>     | <u>4,671</u>                           | <u>(41,586)</u>        | <u>(31,790)</u>  |
| Share incentive awarded under share<br>incentive plan .....       | —                | 26,911                                 | —                      | 26,911           |
| Issuance of warrants (Note 32) .....                              | —                | 66,924                                 | —                      | 66,924           |
| Currency translation differences (b) .....                        | —                | —                                      | (123,825)              | (123,825)        |
| <b>As at December 31, 2016</b> .....                              | <u>5,125</u>     | <u>98,506</u>                          | <u>(165,411)</u>       | <u>(61,780)</u>  |
| <b>As at January 1, 2017</b> .....                                | <u>5,125</u>     | <u>98,506</u>                          | <u>(165,411)</u>       | <u>(61,780)</u>  |
| Exercise of warrants (Note 32) .....                              | (294,454)        | —                                      | —                      | (294,454)        |
| Share incentive awarded under share<br>incentive plan .....       | —                | 43,900                                 | —                      | 43,900           |
| Ordinary share transferred to Class B<br>ordinary share (c) ..... | (103)            | —                                      | —                      | (103)            |
| Currency translation differences (b) .....                        | —                | —                                      | 98,004                 | 98,004           |
| <b>As at December 31, 2017</b> .....                              | <u>(289,432)</u> | <u>142,406</u>                         | <u>(67,407)</u>        | <u>(214,433)</u> |

(a) In January 2015, certain Class B ordinary shareholders, Series A1 and A2 preferred shareholders converted 5% of their total number of shares, namely 572,501, to ordinary shares and contributed the ordinary shares to employee's share incentive pool. The weighted average fair value of the Class B ordinary shares and the preferred shares at the contribution date was US\$1.19. The total amount of the contributed preferred shares was approximately RMB4,170,000 (Note 31).

(b) Foreign currency translation reserve represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

(c) The Company redesignated 212,300 number of Class A ordinary shares to Class B ordinary shares, the difference of original issuance price and the par value of approximately RMB103,000 was debited to capital reserve.

## The Company

|                                                          | Share-based<br>compensation<br>reserve<br>RMB'000 |
|----------------------------------------------------------|---------------------------------------------------|
| <b>Inception of the Company</b> .....                    | —                                                 |
| Share incentive awarded under share incentive plan ..... | 3,844                                             |
| <b>As at December 31, 2017</b> .....                     | <b>3,844</b>                                      |

## 30 Share-based payments

In December 2014, the board of directors of U51.com Inc. approved the establishment of U51.com Inc. Employee Stock Option Scheme (the “U51 Scheme”) to provide options and restricted stock units (“RSU”) for employees and directors of the Group. The U51 Scheme is valid and effective for 10 years from the grant date. Options and RSUs granted are vested upon satisfaction of service condition, which is majority satisfied over three to four years.

In April 2017, the board of directors of Enniu Network approved the 2017 Enniu Network Stock Option Incentive Plan (Enniu Network ESOP), which assumed U51.com Inc's obligations and duties under the options and RSUs granted by U51.com Inc. As a result, the options and RSUs granted by U51.com Inc were replaced with those of Enniu Network. Such new options and RSUs replaced the options and RSUs granted under U51 Scheme's existing options and RSUs in its entirety by exchanging the U51.com Inc's shares for Enniu Network's shares while maintaining their respective terms and vesting schedules unchanged. This replacement represents a modification of the awards under the accounting guidance, but no incremental compensation cost is required to be recognized because there was no change in fair value of the awards as measured immediately before and after the modification.

In March 2017, one employee sold certain vested shares under Enniu Network ESOP, equivalent to 212,300 ordinary shares of the Company to other investor for a consideration of RMB10,510,000. In October 2017, certain employees sold certain vested shares under Enniu Network ESOP, equivalent to 585,262 ordinary shares of the Company for a total consideration of approximately RMB42,241,000 (after adjustment to give effect to the 2017 Reorganization to reflect the exchange of the Enniu Network's shares for the ordinary shares of the Company). As the selling prices were close to then fair value of the ordinary shares, the transactions were treated as shareholders' transactions.

As part of the 2017 Reorganization, in November 2017, the board of directors of the Company approved the 51 stock scheme and 51 award scheme, which assumed Enniu Network ESOP's obligations and duties. As a result, the options and RSUs under Enniu Network were replaced with those of the Company. Such new options and RSUs replaced the Enniu Network ESOP in its entirety while maintaining their respective terms and vesting schedules unchanged, except for the exchange of 2.4752 Enniu Network's shares for one ordinary share of the Company and the corresponding change

of the exercise price based on the share conversion rate on the date of modification. This replacement represents a modification of the awards under the accounting guidance, but no incremental compensation cost is required to be recognized because there was no change in fair value of the awards as measured immediately before and after the modification.

The Company has set up two structured entities, namely 51 Stock Limited and 51 Award Limited, which are solely for the purpose of administering and holding the Company's shares for the option and RSUs schemes. Pursuant to a resolution passed by the Board of Directors of the Company in November 2017, the Company issued 12,744,500 ordinary shares to the 51 Stock Limited and 51 Award Limited at a par value of USD0.0001 each, being the ordinary shares underlying the Company's 51 Stock Scheme and 51 Award Scheme. In addition, the Company has entered into a trust deed with an independent trustee (the "Trustee") in November 2017, pursuant to which the RSU Trustee shall act as the administrator of the Company's employee stock option scheme.

The Company has the power to direct the relevant activities of the 51 Stock Limited and 51 Award Limited and it has the ability to use its power over the Trusts to affect its exposure to returns. Therefore, the assets and liabilities of 51 Stock Limited and 51 Award Limited are included in the Group's consolidated statement of financial position and the ordinary shares held for the Company's 51 Stock Scheme and 51 Award Scheme were regarded as issued but not outstanding shares and presented as a deduction in equity as "Shares held for employee incentive scheme".

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

- (a) Movements in the number of stock options outstanding and their related weighted average exercise prices adjusted for the 2017 Reorganization are as follows:

|                         | 2015             | 2015                 | 2016             | 2016                 | 2017             | 2017                 |
|-------------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
|                         |                  | Weighted             |                  | Weighted             |                  | Weighted             |
| Disclosure              | Number           | Average price in RMB | Number           | Average price in RMB | Number           | Average price in RMB |
| Outstanding at          |                  |                      |                  |                      |                  |                      |
| January 1 . . . . .     | —                | —                    | 4,075,942        | 9.48                 | 3,545,914        | 9.36                 |
| Granted during the      |                  |                      |                  |                      |                  |                      |
| year . . . . .          | 4,516,589        | 9.40                 | 713,292          | 10.11                | 5,512,978        | 8.11                 |
| Forfeited and expired   |                  |                      |                  |                      |                  |                      |
| during the year . . . . | (440,647)        | 8.62                 | (1,243,320)      | 10.11                | (668,398)        | 13.45                |
| Outstanding at          |                  |                      |                  |                      |                  |                      |
| December 31 . . . . .   | <u>4,075,942</u> | <u>9.48</u>          | <u>3,545,914</u> | <u>9.36</u>          | <u>8,390,494</u> | <u>8.12</u>          |
| Vested at December 31   | <u>267,087</u>   | <u>3.58</u>          | <u>374,849</u>   | <u>4.01</u>          | <u>2,162,773</u> | <u>5.85</u>          |

Note: All the options granted can only be exercised upon the initial public offering.

Based on the fair value of the underlying ordinary share, the Company has used Binomial option-pricing model to determine the fair values of the share options as at the grant dates. Key assumptions used for the valuation are set as below:

|                                   | In 2015       | In 2016 | In 2017       |
|-----------------------------------|---------------|---------|---------------|
| Risk-free interest rate . . . . . | 2%-2.27%      | 1.48%   | 1.93%-2.02%   |
| Volatility . . . . .              | 41.07%-44.38% | 40.50%  | 32.72%-33.49% |
| Dividend yield . . . . .          | —             | —       | —             |

The Company estimated the risk-free interest rate based on the yield of US Treasury bond and China Government bond with a maturity life equal to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date.

- (b) Movements in the number of RSUs adjusted for the 2017 Reorganization during the Track Record Period is as follows:

|                                                              | Number of RSUs   |
|--------------------------------------------------------------|------------------|
| <b>Outstanding balance as at January 1, 2015 . . . . .</b>   | <u>—</u>         |
| Granted . . . . .                                            | 3,330,372        |
| Vested (Note). . . . .                                       | (495,120)        |
| Forfeited . . . . .                                          | (1,600,925)      |
| <b>Outstanding balance as at December 31, 2015 . . . . .</b> | <u>1,234,327</u> |
| Granted . . . . .                                            | 3,746,488        |
| Vested . . . . .                                             | (308,580)        |
| Forfeited . . . . .                                          | (636,827)        |
| <b>Outstanding balance as at December 31, 2016 . . . . .</b> | <u>4,035,408</u> |
| Vested . . . . .                                             | (1,227,989)      |
| Forfeited . . . . .                                          | (533,486)        |
| <b>Outstanding balance as at December 31, 2017 . . . . .</b> | <u>2,273,933</u> |

*Note:* In April 2015, all the shareholders of U51.com Inc. approved a restricted share unit grant agreement that U51.com Inc. granted restricted stock units equivalent to 3,330,372 ordinary shares of the Company to certain employees. The shares were vested over 4 years in annually equal proportion. In June 2015, a share repurchase agreement was signed and total 495,120 shares granted were immediately vested and repurchased for a total consideration



of US\$1,700,000 by U51.com. The shares were cancelled by U51.com after the repurchase. The purchase consideration of US\$1,700,000, equivalent to approximately RMB 10,393,000 was treated as share based compensation expense (the share numbers have been adjusted to give effect to the 2017 Reorganization to reflect the exchange of U51.com Inc. shares for the ordinary shares of the Company).

The fair value of each RSUs at the grant dates, namely April 2015 and second half of 2017, were determined by reference to the fair value of the ordinary share of the Company that issued to its shareholders.

The above number of shares options and RSUs, did not reflect the effect of share split as disclosed in Note 43.

### 31 Preferred shares

The Preferred shares includes angel round, Series A1, Series A2, Series B, Series B1, Series C preferred shares and Class B ordinary shares of the Company.

In November 2012, Enniu Network issued 250,000 angel round preferred shares with par value of RMB1 at a price of RMB24 per registered capital for a total amount of RMB6,000,000 to angel round investors.

In June 2013, Enniu Network issued 250,000 Series A1 preferred shares with par value of RMB1 at a price of RMB48 per registered capital for a total amount of RMB12,000,000 to Series A1 investors.

In November 2013, Enniu Network issued 600,000 Series A2 preferred shares with par value of RMB1 at a price of RMB66.67 per registered capital for a total amount of RMB40,000,000 to Series A2 investors.

In January 2015, the Listing Business has undergone a series of restructuring activities, under which a new overseas holding company, U51.com Inc., has been set up and the preferred shareholders of Enniu Network have been mirror reflected to become the Class B ordinary shareholders and the preferred shareholders of U51.com Inc. Accordingly, the terms of angel round preferred share, Series A1 preferred shares and Series A2 preferred shares have been modified and the angel round preferred share been redesignated as "Class B ordinary shares". The difference between the fair value of angel round in Enniu Network and class B ordinary shares in U51.com Inc of that shareholder was recognized in 'Extinguishment gain/(loss) of preferred shares' in the consolidated statements of comprehensive income. In the meantime, the holders of Class B ordinary shares, Series A1 preferred shares and Series A2 preferred shares converted 572,501 preferred shares to ordinary shares and contributed the converted shares to the pool for employee incentive scheme. The fair value of these contribution of approximately RMB4,170,000 was recognized in reserve of equity.

As the contracting parties and terms of the above redeemable preferred shares were substantially amended, the Group assessed and accounted for the modification as a debt extinguishment. Debt extinguishment gain of approximately RMB14,711,000 was arising from aforementioned mirror reflection was recognized in 2015.

In January 2015, U51.com Inc. issued 7,039,389 Series B preferred shares with par value of US\$0.0001 at a price of US\$3.81 per share for a total amount of US\$26,816,721 to Series B investors, among which US\$5,000,000 was collected by U51.com Inc. through loan agreements with series B investors in 2014 and the remaining US\$21,816,721 was collected at the beginning of 2015.

In April 2015, U51.com Inc. issued 4,891,982 Series B1 preferred shares with par value of US\$0.0001 at a price of US\$10.22 per share for a total amount of US\$50,000,000.

In February 2016, the Listing Business has undergone another series of restructuring activities, under which overseas holding company U51.com Inc has been detached and the Class B ordinary share and preferred shareholders of U51.com Inc. have been mirror reflected to become the preferred shareholders of Enniu Network again.

Concurrently, the Group negotiated with certain preferred shareholders of U51.com and agreed to redeem certain Class B ordinary shares, Series A1 and Series A2 preferred shares held by them at the price of US\$22.08 per share. The total repurchase amount was approximately US\$295,399,000, among which the withholding tax was approximately US\$26,274,000. The difference between the carrying value of these preferred shares and the redemption amount was approximately US\$194,517,000 (RMB1,274,617,000) and was immediately recognized as redemption loss of preferred shares in 2016. In addition, the terms of Class B ordinary shares, Series A1 preferred shares, Series A2 preferred shares, Series B preferred shares and Series B1 preferred shares have been modified.

The Group assessed and accounted for the aforementioned modification to preferred shares as a debt extinguishment, given the contracting parties and terms were substantially amended. Debt extinguishment loss of RMB168,314,000 arising from aforementioned mirror reflection was recognized in “Extinguishment gain/(loss) of preferred shares” in the year ended December 31, 2016.

In October 2016, Enniu Network issued 98,575,530 series C preferred shares with par value of RMB1 shares at a price of RMB26.99 per registered capital for a total amount of RMB2,660,856,000, among which RMB523,276,000 was collected by Enniu Network in 2017. In addition, in connection with the share issue, the Group granted warrants to two of the Series C preferred shareholders (Note 32).

In September 2017, one Series C preferred shareholder exercised the warrants and Enniu Network issued 6,256,977 Series C preferred shares at a price of RMB26.99 per share for a total amount of RMB168,895,000. The difference between the cash received and the fair value of Series C preferred shares at exercise date of RMB104,680,000 was recognized in the reserve.

In November 2017, the Listing Business has undergone a third series of restructuring activities, under which a new overseas holding company 51 Credit Card Inc. has been set up and the preferred shareholders of Enniu Network have been mirror reflected to become the Class B ordinary shareholder and preferred shareholders of the Company. In the meantime, one Series C preferred shareholder chose to exit and the negotiated redemption price was RMB30,000,000, which has not been paid as of December 31, 2017. The difference between fair value of exited series C shares and redemption price was approximately RMB2,395,000 which was recognized in “Extinguishment gain/(loss) of preferred shares in the year ended December 31, 2017. One Series B1 preferred shareholder was redesignated as Class B ordinary shareholder and certain ordinary shares were redesignated as Class B ordinary shares. The other Series C preferred shareholder exercised the warrants and the Company issued 5,035,500 Series C preferred shares at a price of RMB67.08 per share for a total amount of RMB337,790,000. The difference between the cash received and the fair value of Series C preferred shares at exercise date of RMB189,774,000 was recognized in reserve of equity.

The Group assessed and accounted for the aforementioned modification as a debt extinguishment, given the contracting parties and terms were substantially amended. Debt extinguishment gain of approximately RMB240,067,000 arising from aforementioned mirror reflection was recognized in “Extinguishment gain/(loss) of preferred shares” in the year ended December 31, 2017.

The key terms of Class B ordinary shares and preferred shares are summarized as follows:

|                           | Series A1, Series A2,<br>Series B and Series B1<br>preferred shares of<br>U51.com Inc in 2015 and<br>2016 | Class B ordinary shares<br>of U51.com Inc in 2015<br>and 2016 and the<br>Company in 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Series A1, Series A2,<br>Series B, Series B1 and<br>Series C preferred<br>shares of the Company<br>in 2017                                                                                                                                                                                                                                                                      | Series A1, Series A2,<br>Series B, Series B1 and<br>Series C preferred<br>Shares of Enniu<br>Network in 2016 and<br>2017                                                                      |
|---------------------------|-----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Dividends rights</i>   | Angel round, Series A1<br>and Series A2 preferred<br>Shares, of Enniu<br>Network in 2015                  | No profit is distributed<br>until the accumulated<br>loss were remedied, and<br>the dividends should be<br>distributed to Series A2<br>investors in the first<br>priority.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | No dividends or other distributions shall be declared, paid, set aside, or<br>distributed on any ordinary share unless and until a dividend in the like amount<br>and kind has first been declared on the Preferred Shares on an as-if-converted<br>basis and has been paid in full to the holders of the Preferred Shares in<br>accordance with the memorandum of association. | The convertible<br>redeemable preferred<br>shares participate in<br>dividends on an<br>as-converted basis and<br>shall be paid by cash<br>according to the<br>proportion of<br>shareholdings. |
| <i>Conversion feature</i> | None.                                                                                                     | Each preferred share and Class B ordinary share is convertible, at the option of<br>the holder, at any time after the date of issuance of such preferred shares<br>according to a conversion ratio, subject to adjustments for dilution, including but<br>not limited to stock splits, stock dividends and capitalization and certain other<br>events. Each preferred share is convertible into a number of ordinary shares<br>determined by dividing the applicable original issuance price by the conversion<br>price. Each preferred share shall automatically be converted into ordinary shares,<br>at the then applicable preferred share conversion price upon the closing of a<br>qualified IPO. |                                                                                                                                                                                                                                                                                                                                                                                 | None.                                                                                                                                                                                         |

| Angel round, Series A1 and Series A2 preferred Shares, of Enniu Network in 2015 | Series A1, Series A2, Series B and Series B1 preferred shares of U51.com Inc in 2015 and 2016 | Class B ordinary shares of U51.com Inc in 2015 and 2016 and the Company in 2017 | Series A1, Series A2, Series B, Series B1 and Series C preferred Shares of the Company in 2017 | Series A1, Series A2, Series B, Series B1 and Series C preferred Shares of Enniu Network in 2016 and 2017 |
|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|

Redemption feature

|                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                   |       |                                                                                                                                                                                                                                                                                                                                                                              |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| After a specified date or upon occurrence of certain events, if requested by a specified percentage of the holders of the respective class or series of preferred shares then outstanding, the issuer shall redeem all of the respective outstanding preferred shares in that class or series at the redemption price that specified in the issuer's Article of Association. | On or after a specified date or upon occurrence of certain events or at any time, if requested by a specified percentage of the holders of the respective class or series of preferred shares then outstanding, the issuer shall redeem all of the respective outstanding preferred shares in that class or series at the redemption price that specified in the issuer's Article of Association. | None. | After a specified date or upon occurrence of certain events, if requested by a specified percentage of the holders of the respective class or series of preferred shares then outstanding, the issuer shall redeem all of the respective outstanding preferred shares in that class or series at the redemption price that specified in the issuer's Article of Association. |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

Liquidation preference

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |  |  |  |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|
| In the event of any liquidation, holders of the preferred shares shall be entitled to receive a per share amount equal to a certain multiple of the original preferred share issue price of the respective series of preferred shares, as adjusted for share dividends, share splits, combinations, recapitalizations or similar events, plus all accrued and declared but unpaid dividends thereon, in a certain sequence. After such liquidation amounts have been paid in full, any remaining funds or assets of the issuer legally available for distribution to shareholders shall be distributed on a pro rata, pari passu basis among the holders of the preferred shares, on an as-converted basis, together with the holders of the ordinary shares. |  |  |  |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|

The management monitors preferred shares and Class B ordinary shares on a fair value basis which is in accordance with the Group risk management strategy and does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated statements of comprehensive income.

The movement of the preferred shares is set out as below:

|                                                                                                                     | RMB'000          |
|---------------------------------------------------------------------------------------------------------------------|------------------|
| <b>At January 1, 2015</b> .....                                                                                     | 98,120           |
| Extinguishment of angel round, Series A1 and Series A2 preferred shares .....                                       | (98,120)         |
| Issuance of Class B ordinary shares, Series A1 and Series A2 preferred shares ...                                   | 83,409           |
| Contribution of preferred shares to an ordinary share pool for employee incentive awards .....                      | (4,170)          |
| Issuance of Series B and Series B1 preferred shares .....                                                           | 470,437          |
| Changes in fair value of preferred shares .....                                                                     | 575,439          |
| Currency translation differences .....                                                                              | 57,473           |
| <b>At December 31, 2015</b> .....                                                                                   | <u>1,182,588</u> |
| Change in fair value of the preferred shares for the year included in profit or loss .....                          | 575,439          |
| Extinguishment gain/(loss) of the preferred shares for the year included in profit or loss .....                    | <u>14,711</u>    |
| <b>At January 1, 2016</b> .....                                                                                     | 1,182,588        |
| Redemption loss of Class B ordinary shares, Series A1, Series A2 and Series B preferred shares .....                | (660,874)        |
| Extinguishment loss of Class B ordinary shares, Series A1, Series A2, Series B and Series B1 preferred shares ..... | (661,503)        |
| Issuance of Series A1, Series A2, Series B and Series B1 preferred shares .....                                     | 829,817          |
| Issuance of Series C preferred shares .....                                                                         | 2,660,856        |
| Changes in fair value of preferred shares .....                                                                     | 743,997          |
| Currency translation differences .....                                                                              | 10,420           |
| <b>At December 31, 2016</b> .....                                                                                   | <u>4,105,301</u> |
| Change in fair value of the preferred shares for the year included in profit or loss .....                          | 743,997          |
| Extinguishment gain/(loss) of the preferred shares for the year included in profit or loss .....                    | (1,442,931)      |

|                                                                                                                    | RMB'000          |
|--------------------------------------------------------------------------------------------------------------------|------------------|
| <b>At January 1, 2017</b> .....                                                                                    | 4,105,301        |
| Execution of warrants by Series C preferred shareholders .....                                                     | 801,139          |
| Redemption of preferred shares .....                                                                               | (32,396)         |
| Extinguishment of Series A1, Series A2, Series B, Series B1 and Series C preferred shares .....                    | (6,607,410)      |
| Issuance of Class B ordinary shares, Series A1, Series A2, Series B, Series B1 and Series C preferred shares ..... | 6,367,343        |
| Ordinary shares transferred to Class B ordinary shares of reorganization .....                                     | 19,135           |
| Changes in fair value of preferred shares .....                                                                    | 2,260,930        |
| Currency translation differences .....                                                                             | (98,782)         |
| <b>At December 31, 2017</b> .....                                                                                  | <u>6,815,260</u> |
| Change in fair value of the preferred shares for the year included in profit or loss .....                         | 2,260,930        |
| Extinguishment gain/(loss) of the preferred shares for the year included in profit or loss .....                   | 242,462          |
| Finance expense for the year included in profit or loss .....                                                      | (19,032)         |

The Group had used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of convertible redeemable preferred shares as of the date of issuance and at the reporting date. Key assumptions at the issuance and reporting date are set as below:

|                         | Discount rate | Risk-free interest<br>rate | Volatility   |
|-------------------------|---------------|----------------------------|--------------|
| December 31, 2014 ..... | 22%           | 3.38%                      | 40.1%        |
| January 8, 2015 .....   | 22%           | 0.98%                      | 40.1%        |
| April 28, 2015 .....    | 22%           | 0.78%                      | 37.8%        |
| December 31, 2015 ..... | 21%           | 1.05%                      | 35.7%        |
| February 2, 2016 .....  | 18%           | 2.73%                      | 35.1%        |
| October 21, 2016 .....  | 16%           | 2.38%                      | 34.4%        |
| December 31, 2016 ..... | 16%           | 2.85%                      | 34.4%        |
| December 31, 2017 ..... | <u>16%</u>    | <u>3.84%</u>               | <u>30.7%</u> |

Discount rate was estimated by weighted average cost of capital as of each appraisal date. The managements estimated the risk-free interest rate based on the yield of US Treasury bond and China Government bond with a maturity life equal to period from the respective appraisal dates to expected redemption/liquidation date. Volatility was estimated at the dates of appraisal based on average of

historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected redemption/liquidation date. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of preferred shares on appraisal date.

In March 2018, the Company effected a share split. Each of ordinary share and preferred share of the Company was subdivided into 10 shares at a par value of US\$0.00001, such that Class B ordinary shares, Series A1 Shares, Series A2 Shares, Series B shares, Series B1 Shares and Series C Shares were divided into 28,635,000, 16,206,000, 11,934,000, 46,665,000, 109,217,000 and 470,891,000 shares, respectively.

### **32 Warrants**

In connection with the issuance of the Series C preferred shares in October 2016, warrants were issued to two of the Series C preferred shareholders, which provide the rights to purchase additional Series C preferred shares at a fixed price of RMB26.99 per share for each warrant of up to RMB168,895,000 and RMB337,790,000 respectively without any conditions. The warrants can be exercised anytime within the 12 months of issuance of the Series C preferred shares.

The Group monitors warrants on a fair value basis which is recorded in 'Reserves' in the consolidated statements of financial position and 'Finance expenses, net' in the consolidated statements of comprehensive income. The initial fair value of RMB66,924,000 at the grant date of warrants is recorded immediately upon the grant date as the warrants can be exercised any time after grant.

In September 2017, a Series C preferred shareholder exercised the warrants and Enniu Network issued 6,256,977 Series C preferred shares at a price of RMB26.99 per share for a total amount of RMB168,895,000. The difference between the cash received and the fair value of Series C preferred shares at exercise date of RMB104,680,000 was recognized in 'Reserves' in the consolidated statements of financial position.

In November 2017, the other warrants shareholder exercised the warrants to purchase 5,035,500 Series C preferred shares of the Company at a price of RMB67.08 per share for a total amount of RMB337,790,000. The difference between the cash received and Series C preferred shares at exercise date of RMB189,774,000 was recognized in 'Reserves' in the consolidated statements of financial position.



The Group had used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of warrants as of the date of issuance. Key assumptions at the issuance are set as below:

|                            | Discount rate | Risk-free<br>interest rate | Volatility   |
|----------------------------|---------------|----------------------------|--------------|
| October 21, 2016 . . . . . | <u>18%</u>    | <u>2.32%</u>               | <u>47.7%</u> |

### 33 Borrowings

|                                                        | As at December 31, |               |                |
|--------------------------------------------------------|--------------------|---------------|----------------|
|                                                        | 2015               | 2016          | 2017           |
|                                                        | RMB'000            | RMB'000       | RMB'000        |
| At amortized cost                                      |                    |               |                |
| Short-term borrowings:                                 |                    |               |                |
| Bank borrowings (a) - unsecured . . . . .              | 20,000             | 33,000        | 130,000        |
| Other borrowings (b) - secured . . . . .               | <u>—</u>           | <u>—</u>      | <u>127,057</u> |
|                                                        | <u>20,000</u>      | <u>33,000</u> | <u>257,057</u> |
| Long-term borrowings                                   |                    |               |                |
| Bank borrowings (c) - unsecured . . . . .              | —                  | —             | 51,661         |
| Other borrowings (d) - secured and unsecured . . . . . | <u>—</u>           | <u>—</u>      | <u>384,535</u> |
|                                                        | <u>—</u>           | <u>—</u>      | <u>436,196</u> |
| Borrowing by repayment schedule:                       |                    |               |                |
| Within 1 year . . . . .                                | 20,000             | 33,000        | 257,057        |
| 1 year to 2 years . . . . .                            | —                  | —             | 9,767          |
| 2 years to 5 years . . . . .                           | —                  | —             | 403,720        |
| 5 years to 8 years . . . . .                           | <u>—</u>           | <u>—</u>      | <u>22,709</u>  |
|                                                        | <u>20,000</u>      | <u>33,000</u> | <u>693,253</u> |

- (a) As at December 31, 2015, Enniu Network had 2 short-term loans with the total borrowing amount of RMB20,000,000. The loans are guaranteed by Kebeisi Network Technology (Hangzhou) Co., Ltd. ("Kebeisi Network") with the fixed interest rate of 5.8363% per month.

As at December 31, 2016, Enniu Network had a short-term loan with the total borrowing amount of RMB20,000,000. The loan is guaranteed by Enniu Network with the fixed interest rate of 5.8363% per month.

As at December 31, 2016, Yiniu Netowrk had a short-term loan with the total borrowing amount of RMB13,000,000. The loan is guaranteed by Enniu Network with the fixed interest rate of 5.8363% per month.

As at December 31, 2017, Enniu Network had a short-term loan with the total borrowing amount of RMB80,000,000. The loan is guaranteed by Yeniu Asset Management, Hangzhou Enniu Internet Financial Services Co., Ltd. (“Enniu Financial Services”) and Sun Haitao, the CEO of the Company with the fixed interest rate of 7.20% per annum.

As at December 31, 2017, Yiniu Network had 1 short-term loan with the total borrowing amount of RMB50,000,000. The loan is guaranteed by Enniu Network with the fixed interest rate of 5.8363% per month.

- (b) On April 6, 2017, 51RENPIN.COM INC. entered into a loan agreement with Wang Yonghua, the controlling shareholder of Tiantu Investments International Limited (“Tiantu Investments”) with the borrowing amount of HK\$400,000,000 (equivalent to RMB354,888,000). The loan was guaranteed by Sun Haitao and pledged by 900,793,020 ordinary shares of Netcom with a fixed interest rate of 6.5% per annual. The loan is payable in one year.

The borrowing amount of HK\$248,000,000 was early repaid in July 2017.

- (c) In August 2017, the Group borrowed a loan of RMB53,000,000 from Hangzhou Bank. The loan bears interest at the annual rate of 115% of the five-year loan benchmark rate of the People’s Bank of China. The loan is repayable in eight years from the borrowing date and is guaranteed by Sun Haitao and secured by the building of Enniu Network.

The borrowing amount of RMB1,339,000 was repaid in 2017.

- (d) The borrowing amount of approximately RMB39,535,000 was assumed by the Group through the acquisition of Netcom (Note 40(b)). This borrowing is the financial liability component bifurcated from the convertible bond issued by Netcom and is accounted using annual effective interest rate of 14.61% with a ten-year payment term from August 2010. In January, 2018, the convertible bond at par value of HK\$50,000,000 was converted to the ordinary shares of Netcom.

In May 2017, Enniu Network, together with Shenzhen Tiantu Xingneng Investments (Limited Partnership) (“Tiantu Xingneng”) and China Merchants Securities Asset Management Co., Ltd. (“CMS AM”), set up Hangzhou Shangniu Investment Management Partnership (Limited Partnership). In November and December 2017, Enniu Network entered into the repurchase agreements with Tiantu Xingneng and CMS AM that Enniu Network will repurchase all the shares contributed by Tiantu Xingneng and CMS AM in four years with fixed interest rate of 8% and 8.035% per annum respectively.

The shares amounting to RMB25,000,000 and RMB320,000,000 contributed by Tiantu Xingneng and CMS AM respectively are deemed as borrowing. The borrowings were pledged by the ordinary shares of Kaizhou Technology held by the Group. The borrowing amount of RMB320,000,000 by CMS AM was also guaranteed by Sun Haitao.

## 34 Trade and other payables

|                                                             | As at December 31, |                |                |
|-------------------------------------------------------------|--------------------|----------------|----------------|
|                                                             | 2015               | 2016           | 2017           |
|                                                             | RMB'000            | RMB'000        | RMB'000        |
| Payables for equity investments (a) . . . . .               | —                  | —              | 507,168        |
| Payroll and welfare payables . . . . .                      | 21,649             | 54,555         | 145,453        |
| Payables to related parties . . . . .                       | —                  | —              | 73,854         |
| Other tax payables . . . . .                                | 8,338              | 44,208         | 62,299         |
| Online promotion marketing payables . . . . .               | 1,677              | 3,918          | 31,648         |
| Payables on behalf of the credit card users . . . .         | 37                 | 6,189          | 22,029         |
| Trade payables (b) . . . . .                                | 758                | 7,451          | 33,778         |
| Listing fee payables . . . . .                              | —                  | —              | 9,472          |
| Payables on behalf of users of payment<br>company . . . . . | —                  | —              | 8,131          |
| Deposit payables (c) . . . . .                              | 2,632              | 10,800         | 4,429          |
| Others . . . . .                                            | 840                | 10,933         | 65,090         |
|                                                             | <u>35,931</u>      | <u>138,054</u> | <u>963,351</u> |

(a) Payables for equity investments primarily represented the cash consideration due to the counterparties of equity transactions in connection with the acquisition of Kaizhuo Technology and Zhongrong Insurance Brokers (Note 40(b)).

(b) Trade payables represented payables of fund transfer charges and collection service charges.

(c) Deposit payables primarily represented credit facilitation deposit received from other lending platforms when the Group introduced investors to other lending platforms.

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

|                          | As at December 31, |              |               |
|--------------------------|--------------------|--------------|---------------|
|                          | 2015               | 2016         | 2017          |
|                          | RMB'000            | RMB'000      | RMB'000       |
| Within 30 days . . . . . | 758                | 5,654        | 22,613        |
| 30 to 90 days . . . . .  | —                  | 1,797        | 11,165        |
|                          | <u>758</u>         | <u>7,451</u> | <u>33,778</u> |

## 35 Financial liabilities at fair value through profit or loss

|                                                | As at December 31, |         |         |
|------------------------------------------------|--------------------|---------|---------|
|                                                | 2015               | 2016    | 2017    |
|                                                | RMB'000            | RMB'000 | RMB'000 |
| Derivative financial liabilities - forward     |                    |         |         |
| foreign exchange contracts (a) . . . . .       | —                  | 4,627   | —       |
| Financial liabilities designated as fair value |                    |         |         |
| through profit or loss (b) . . . . .           | —                  | —       | 168,460 |
|                                                | —                  | 4,627   | 168,460 |

(a) In December 2016, Enniu Network entered into certain forward foreign exchange contracts with an aggregate nominal amount of 146,581,000 and recognized a fair value loss of RMB4,627,000 and RMB13,083,000 for the year ended December 31, 2016 and 2017, respectively. The loss is the difference between the weighted average US\$/RMB rate of forward exchange contracts and the spot US\$/RMB rate of State Administration of Foreign Exchange. These contracts were settled in March 2017.

(b) In December 2017, the Group acquired 100% shares of Kaizhuo Technology from independent third parties for cash consideration and issuance of certain Series C preferred shares. As of December 31, 2017, the issuance of Series C preferred shares has not completed (Note 40(b)).

## 36 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

Relationship and details of transactions between the Group and other related parties are disclosed below:

| Name of the major related parties            | Relationship with the Group                             |
|----------------------------------------------|---------------------------------------------------------|
| Sun Haitao                                   | CEO, Director of the Company                            |
| Zou Yunli                                    | Director of the Company                                 |
| Yang Yuzhi                                   | Director of the Company                                 |
| Zhao Ke                                      | Director of the Company                                 |
| Anniu Technology                             | Investee over which the Group has significant influence |
| Beijing Hao Duoshu Data Technology Co., Ltd. | Investee over which the Group has significant influence |
| Juece                                        | Investee over which the Group has significant influence |

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| <b>Name of the major related parties</b>                                         | <b>Relationship with the Group</b>                      |
|----------------------------------------------------------------------------------|---------------------------------------------------------|
| Shanghai Xunhou Human Resource Co., Ltd.                                         | Investee over which the Group has significant influence |
| Hangzhou Ren Junxing Technology Co., Ltd.                                        | Investee over which the Group has significant influence |
| Zhejiang Qianli Technology Co., Ltd.                                             | Investee over which the Group has significant influence |
| Hangzhou Digu Financial Services Outsourcing Co., Ltd.                           | Investee over which the Group has significant influence |
| Shanghai Qiancheng Network Technology Co., Ltd.                                  | Investee over which the Group has significant influence |
| Zhejiang Zhongma Technology Co., Ltd.                                            | Investee over which the Group has significant influence |
| Tianjin Kaniu Enterprise Management Consulting Partnership (Limited Partnership) | Controlled by key management                            |
| Hangzhou Yanniu Technology Co., Ltd.                                             | Controlled by key management                            |

The following transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the ordinary course of business and at terms negotiated between the Group and the respective related parties.

Save as disclosed in elsewhere of the report, the Group entered into the following related party transactions during the Track Record Period:

- (a) *Loan referral service fee, credit card technology service fee-recognized in revenue (before net of sales tax and related surcharges)*

|                                                                    | <b>Year ended December 31,</b> |                |                |
|--------------------------------------------------------------------|--------------------------------|----------------|----------------|
|                                                                    | <b>2015</b>                    | <b>2016</b>    | <b>2017</b>    |
|                                                                    | <b>RMB'000</b>                 | <b>RMB'000</b> | <b>RMB'000</b> |
| Investees over which the Group has significant influence . . . . . | <u>—</u>                       | <u>1,530</u>   | <u>26,583</u>  |

(b) *Origination and servicing expenses*

|                                                                    | Year ended December 31, |           |            |
|--------------------------------------------------------------------|-------------------------|-----------|------------|
|                                                                    | 2015                    | 2016      | 2017       |
|                                                                    | RMB'000                 | RMB'000   | RMB'000    |
| Investees over which the Group has significant influence . . . . . | <u>—</u>                | <u>30</u> | <u>566</u> |

(c) *General and administrative expenses and Sales and marketing expenses*

|                                                                    | Year ended December 31, |          |               |
|--------------------------------------------------------------------|-------------------------|----------|---------------|
|                                                                    | 2015                    | 2016     | 2017          |
|                                                                    | RMB'000                 | RMB'000  | RMB'000       |
| Investees over which the Group has significant influence . . . . . | <u>—</u>                | <u>—</u> | <u>11,234</u> |

(d) *Repurchase of ordinary shares*

|                  | Year ended December 31, |          |          |
|------------------|-------------------------|----------|----------|
|                  | 2015                    | 2016     | 2017     |
|                  | RMB'000                 | RMB'000  | RMB'000  |
| The CEO. . . . . | <u>3,491</u>            | <u>—</u> | <u>—</u> |

(e) *Purchase of ordinary shares*

|                  | Year ended December 31, |            |          |
|------------------|-------------------------|------------|----------|
|                  | 2015                    | 2016       | 2017     |
|                  | RMB'000                 | RMB'000    | RMB'000  |
| The CEO. . . . . | <u>—</u>                | <u>400</u> | <u>—</u> |

(f) *Loans guaranteed by related parties*

|                  | Year ended December 31, |          |                |
|------------------|-------------------------|----------|----------------|
|                  | 2015                    | 2016     | 2017           |
|                  | RMB'000                 | RMB'000  | RMB'000        |
| The CEO. . . . . | <u>—</u>                | <u>—</u> | <u>807,888</u> |

(g) *Balances with related parties*

|                                                                    | As at December 31, |         |         |
|--------------------------------------------------------------------|--------------------|---------|---------|
|                                                                    | 2015               | 2016    | 2017    |
|                                                                    | RMB'000            | RMB'000 | RMB'000 |
| <i>Trade receivables</i>                                           |                    |         |         |
| Investees over which the Group has significant influence . . . . . | —                  | 405     | 2,117   |
| <i>Prepayments, deposits and other receivables</i>                 |                    |         |         |
| Directors of the Company . . . . .                                 | —                  | 57      | —       |
| Investees over which the Group has significant influence . . . . . | —                  | —       | 1,520   |
|                                                                    | —                  | 57      | 1,520   |
| <i>Trade and other payables</i>                                    |                    |         |         |
| Controlled by key management . . . . .                             | —                  | —       | 69,990  |
| Investees over which the Group has significant influence . . . . . | —                  | —       | 3,864   |
|                                                                    | —                  | —       | 73,854  |

(h) *Key management personnel compensations*

Key management includes executive directors and senior management. The compensations paid or payable to key management for employee services are shown below:

|                                                                                     | Year ended December 31, |         |         |
|-------------------------------------------------------------------------------------|-------------------------|---------|---------|
|                                                                                     | 2015                    | 2016    | 2017    |
|                                                                                     | RMB'000                 | RMB'000 | RMB'000 |
| Wages, salaries and bonuses . . . . .                                               | 4,775                   | 5,877   | 9,143   |
| Pension costs-defined contribution plan . . . . .                                   | 9                       | 90      | 252     |
| Other social security costs, housing benefits and other employee benefits . . . . . | 62                      | 213     | 13,137  |
| Share-based compensation expenses . . . . .                                         | 2,159                   | 9,420   | 11,251  |
|                                                                                     | 7,005                   | 15,600  | 33,783  |

## 37 Note to consolidated statements of cash flows

- (a) Reconciliation from loss before income tax to cash generated from/(used in) operating activities:

|                                                                                                                                      | Year ended December 31, |                  |                  |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------|------------------|
|                                                                                                                                      | 2015                    | 2016             | 2017             |
|                                                                                                                                      | RMB'000                 | RMB'000          | RMB'000          |
| <b>Loss for the year</b> . . . . .                                                                                                   | (693,303)               | (2,231,442)      | (1,378,471)      |
| Adjustments for:                                                                                                                     |                         |                  |                  |
| Depreciation and amortization . . . . .                                                                                              | 2,603                   | 10,498           | 29,654           |
| Fair value gain on financial assets designated<br>at fair value through profit or loss/derivative<br>financial liabilities . . . . . | (59)                    | (5,283)          | (191,706)        |
| Fair value loss on forward foreign exchange<br>contracts . . . . .                                                                   | —                       | 4,627            | 13,083           |
| Interest expenses to trust senior tranche<br>holders . . . . .                                                                       | —                       | 6,312            | 43,993           |
| Share of net losses of associates accounted for<br>using equity method . . . . .                                                     | 68                      | 647              | 1,465            |
| Gain on disposal of investments . . . . .                                                                                            | —                       | (28,686)         | (260)            |
| Fair value loss of preferred shares . . . . .                                                                                        | 575,439                 | 743,997          | 2,260,930        |
| Extinguishment gain/(loss) of preferred shares .                                                                                     | (14,711)                | 1,442,931        | (242,462)        |
| Finance expenses . . . . .                                                                                                           | 11,772                  | 64,698           | 47,778           |
| Impairment loss . . . . .                                                                                                            | 972                     | 4,801            | 97,442           |
|                                                                                                                                      | <u>576,084</u>          | <u>2,244,542</u> | <u>2,059,917</u> |
| Changes in operating assets and liabilities:                                                                                         |                         |                  |                  |
| Increase in contract asset and trade receivable .                                                                                    | (30,909)                | (5,954)          | (47,719)         |
| Increase in loan to customers . . . . .                                                                                              | —                       | (203,114)        | (847,645)        |
| Increase in prepayments and other receivables .                                                                                      | (17,457)                | (37,509)         | (212,625)        |
| Increase in trade and other payables . . . . .                                                                                       | 72,319                  | 155,120          | 236,185          |
| Increase in contract liabilities . . . . .                                                                                           | —                       | 30,973           | 18,741           |
| Increase/(decrease) in taxes payables . . . . .                                                                                      | (45,219)                | 13,008           | 140,583          |
|                                                                                                                                      | <u>(21,266)</u>         | <u>(47,476)</u>  | <u>(712,480)</u> |
| <b>Cash used in operating activities</b> . . . . .                                                                                   | <u>(138,485)</u>        | <u>(34,376)</u>  | <u>(31,034)</u>  |



(b) *Non-cash investing and financing activities*

|                                                                                        | Year ended December 31, |                    |           |
|----------------------------------------------------------------------------------------|-------------------------|--------------------|-----------|
|                                                                                        | 2015                    | 2016               | 2017      |
|                                                                                        | RMB'000                 | RMB'000            | RMB'000   |
| Payable for acquisition of a subsidiary<br>(Note 40(b)) . . . . .                      | —                       | —                  | (586,769) |
| Preferred shares to be issued for acquisition of<br>a subsidiary (Note 40(b)). . . . . | —                       | —                  | 168,460   |
| Receivable from issuance of convertible<br>redeemable preferred shares. . . . .        | —                       | 523,276            | 33,145    |
| Payable for redemption of preferred shares . . . .                                     | <u>(30,651)</u>         | <u>(1,866,921)</u> | <u>—</u>  |

(c) *Net Debt Reconciliation*

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

*Net Debt*

|                                                                           | Year ended December 31, |                    |                    |
|---------------------------------------------------------------------------|-------------------------|--------------------|--------------------|
|                                                                           | 2015                    | 2016               | 2017               |
|                                                                           | RMB'000                 | RMB'000            | RMB'000            |
| Cash and cash equivalents. . . . .                                        | 286,752                 | 2,104,080          | 1,258,446          |
| Liquid investments . . . . .                                              | 15,000                  | 74,187             | 245,284            |
| Borrowings - repayable within one year . . . . .                          | (20,000)                | (33,000)           | (257,057)          |
| Borrowings - repayable after one year . . . . .                           | —                       | —                  | (437,911)          |
| Payable to trust senior tranche holders after<br>one year . . . . .       | —                       | (160,000)          | (790,000)          |
| Payable to preferred shareholders - repayable<br>after one year . . . . . | <u>(1,182,588)</u>      | <u>(4,105,301)</u> | <u>(6,815,260)</u> |
| Net debt . . . . .                                                        | <u>(900,836)</u>        | <u>(2,120,034)</u> | <u>(6,796,498)</u> |
| Cash and liquid investments . . . . .                                     | 301,752                 | 2,178,267          | 1,503,730          |
| Gross debt - fixed interest rates . . . . .                               | (1,202,588)             | (4,298,301)        | (8,248,567)        |
| Gross debt - variable interest rates . . . . .                            | —                       | —                  | (51,661)           |
| Net debt . . . . .                                                        | <u>(900,836)</u>        | <u>(2,120,034)</u> | <u>(6,796,498)</u> |

## APPENDIX I

## ACCOUNTANT'S REPORT

|                                                 | Cash and<br>cash<br>equivalents | Liquid<br>investments | Borrowings<br>(non-<br>current) | Borrowings<br>(current) | Payable<br>to trust<br>senior<br>tranche<br>holders<br>after one<br>year | Payable to<br>Preferred<br>Shareholders-<br>repayable<br>after one<br>year | Total              |
|-------------------------------------------------|---------------------------------|-----------------------|---------------------------------|-------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------|
|                                                 | RMB'000                         | RMB'000               | RMB'000                         | RMB'000                 | RMB'000                                                                  | RMB'000                                                                    | RMB'000            |
| As at January 1, 2015 . . . . .                 | 11,641                          | —                     | —                               | —                       | —                                                                        | (98,120)                                                                   | (86,479)           |
| Foreign exchange adjustments . . .              | 4,223                           | —                     | —                               | —                       | —                                                                        | (57,472)                                                                   | (53,249)           |
| Cash flows . . . . .                            | 270,888                         | 15,000                | —                               | (20,000)                | —                                                                        | (440,911)                                                                  | (175,023)          |
| Other non-cash movements<br>(Note 31) . . . . . | —                               | —                     | —                               | —                       | —                                                                        | (586,085)                                                                  | (586,085)          |
| As at December 31, 2015 . . . . .               | <u>286,752</u>                  | <u>15,000</u>         | <u>—</u>                        | <u>(20,000)</u>         | <u>—</u>                                                                 | <u>(1,182,588)</u>                                                         | <u>(900,836)</u>   |
| Foreign exchange adjustments . . .              | 6,705                           | —                     | —                               | —                       | —                                                                        | (10,420)                                                                   | (3,715)            |
| Cash flows . . . . .                            | 1,810,623                       | 59,187                | —                               | (13,000)                | (160,000)                                                                | (1,930,544)                                                                | (233,734)          |
| Other non-cash movements<br>(Note 31) . . . . . | —                               | —                     | —                               | —                       | —                                                                        | (981,749)                                                                  | (981,749)          |
| As at December 31, 2016 . . . . .               | <u>2,104,080</u>                | <u>74,187</u>         | <u>—</u>                        | <u>(33,000)</u>         | <u>(160,000)</u>                                                         | <u>(4,105,301)</u>                                                         | <u>(2,120,034)</u> |
| Foreign exchange adjustments . . .              | (26,732)                        | —                     | —                               | —                       | —                                                                        | 98,877                                                                     | 72,145             |
| Cash flows . . . . .                            | (818,902)                       | 171,097               | (437,911)                       | (224,057)               | (630,000)                                                                | (836,960)                                                                  | (2,776,733)        |
| Other non-cash movements<br>(Note 31) . . . . . | —                               | —                     | —                               | —                       | —                                                                        | (1,971,876)                                                                | (1,971,876)        |
| As at December 31, 2017 . . . . .               | <u>1,258,446</u>                | <u>245,284</u>        | <u>(437,911)</u>                | <u>(257,057)</u>        | <u>(790,000)</u>                                                         | <u>(6,815,260)</u>                                                         | <u>(6,796,498)</u> |

### 38 Investments in subsidiaries — Company

|                                                                       | As at December 31, |          |                |
|-----------------------------------------------------------------------|--------------------|----------|----------------|
|                                                                       | 2015               | 2016     | 2017           |
|                                                                       | RMB'000            | RMB'000  | RMB'000        |
| Investments in subsidiaries . . . . .                                 | —                  | —        | 333,603        |
| Deemed investments arising from share-based<br>compensation . . . . . | —                  | —        | 3,844          |
|                                                                       | <u>—</u>           | <u>—</u> | <u>337,447</u> |

### 39 Commitments

The Group leases offices under non-cancellable operating leases agreements. The lease terms are between 1 to 5 years, and the majority of lease agreements are renewable at the end of the lease at market rate.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

|                                                    | As at December 31, |               |               |
|----------------------------------------------------|--------------------|---------------|---------------|
|                                                    | 2015               | 2016          | 2017          |
|                                                    | RMB'000            | RMB'000       | RMB'000       |
| Not later than 1 year . . . . .                    | 1,324              | 7,789         | 22,104        |
| Later than 1 year and not later than 5 years . . . | <u>56</u>          | <u>21,581</u> | <u>40,524</u> |
|                                                    | <u>1,380</u>       | <u>29,370</u> | <u>62,628</u> |

#### 40 Business combinations

##### (a) Business combinations during the year ended December 31, 2016

###### Acquisition of Dingli Technology

In February, 2016, the Group acquired 100% shares of Dingli Technology from independent third parties.

The following table summarizes the consideration paid for Dingli Technology, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration:

|                                                                                                      | RMB'000              |
|------------------------------------------------------------------------------------------------------|----------------------|
| - Cash . . . . .                                                                                     | <u>59,779</u>        |
| <b>Total consideration transferred . . . . .</b>                                                     | <u><b>59,779</b></u> |
| <b>Fair value of identifiable assets acquired and liabilities assumed as at the acquisition date</b> |                      |
| Cash and cash equivalents . . . . .                                                                  | 9,856                |
| Property and equipment, net . . . . .                                                                | 403                  |
| Platform (included in intangible assets) . . . . .                                                   | 9,810                |
| Applications (included in intangible assets) . . . . .                                               | 3,260                |
| Trade and other receivables . . . . .                                                                | 11,154               |
| Trade and other payables . . . . .                                                                   | (15,222)             |
| Deferred income tax liabilities . . . . .                                                            | <u>(2,189)</u>       |
| <b>Total identifiable net assets . . . . .</b>                                                       | <u><b>17,072</b></u> |
| Goodwill . . . . .                                                                                   | <u>42,707</u>        |
|                                                                                                      | <u><u>59,779</u></u> |

The goodwill of approximately RMB42,707,000 arising from the acquisition of Dingli Technology is attributable to the operating synergies of quickly expanding the customer reach to non-credit card holders.

The revenue and loss included in the consolidated statements of comprehensive income since January 25, 2016 contributed by Dingli Technology were RMB27,035,000 and RMB12,985,000 respectively.

(b) *Business combinations during the year ended December 31, 2017*

(i) *Acquisition of Netcom*

In July 2017, the Company and one of its shareholder, Tiantu Investments, acquired 39.64% and 7.88% equity interests of Netcom, a company listed in Hong Kong Growth Enterprise Market respectively. Among the total 47.52% share capital acquired, the Group and the shareholder acquired 39.64% and 7.88% of the share capital respectively. The Group and the shareholder entered into an act in concert agreement such that the Group has principally control the board of Netcom. The Group paid total cash consideration of approximately HK\$150,467,000 (equivalent to RMB129,959,000) for the purchase of 39.64% share capital, including cash consideration of approximately HK\$118,487,000 for the purchase of 31.22% of share capital from the shareholder of Netcom, and cash consideration of HK\$31,980,000 as capital injection in Netcom for 8.42% of share capital. The Company is the single largest shareholder of Netcom and the probability of that remaining minority shareholders' accumulated voting power exceeds the Company is extremely low, thus the Company obtains effective control of Netcom and consolidate the financial statements of Netcom.

The following table summarizes the consideration paid for Netcom, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

|                                                                                                      | RMB'000        |
|------------------------------------------------------------------------------------------------------|----------------|
| Consideration:                                                                                       |                |
| - Cash .....                                                                                         | 132,901        |
| <b>Total consideration transferred .....</b>                                                         | <b>132,901</b> |
| <b>Fair value of identifiable assets acquired and liabilities assumed as at the acquisition date</b> |                |
| Cash and cash equivalents .....                                                                      | 46,119         |
| Property and equipment, net. ....                                                                    | 1,267          |
| Trade and other receivables .....                                                                    | 5,152          |
| Trade and other payables .....                                                                       | (6,227)        |
| Borrowings .....                                                                                     | (38,842)       |
| <b>Total identifiable net assets .....</b>                                                           | <b>7,469</b>   |
| Non-controlling interest .....                                                                       | (7,022)        |
| Goodwill .....                                                                                       | 132,454        |
|                                                                                                      | <u>132,901</u> |

The goodwill of approximately RMB132,454,000 arising from the acquisition of Netcom is attributable to the operating synergies of supplementing the product offerings in products serving non-credit card holders and expanding the cooperation with institution funding partners.

The revenue and loss included in the consolidated statements of comprehensive income since July 31, 2017 contributed by Netcom were RMB5,471,000 and RMB3,044,000 respectively.

(ii) *Acquisition of Zhongrong Insurance Brokers*

On November 29, 2017, the Group acquired 95% shares of Zhongrong Insurance Brokers from independent third parties.

The following table summarizes the consideration for Zhongrong Insurance Brokers, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

|                                                                                                      | RMB'000       |
|------------------------------------------------------------------------------------------------------|---------------|
| Consideration:                                                                                       |               |
| - Cash .....                                                                                         | 13,000        |
| - Payable .....                                                                                      | 55,500        |
| <b>Total consideration</b> .....                                                                     | <u>68,500</u> |
| <b>Fair value of identifiable assets acquired and liabilities assumed as at the acquisition date</b> |               |
| Cash and cash equivalents .....                                                                      | 5,693         |
| Property and equipment, net. ....                                                                    | 77            |
| License (included in intangible assets) .....                                                        | 18,200        |
| Trade and other receivables .....                                                                    | 45,190        |
| Trade and other payables .....                                                                       | (1,901)       |
| Deferred income tax liabilities .....                                                                | (4,550)       |
| <b>Total identifiable net assets</b> .....                                                           | <u>62,709</u> |
| Non-controlling interest .....                                                                       | (3,135)       |
| Goodwill .....                                                                                       | 8,926         |
|                                                                                                      | <u>68,500</u> |

The goodwill of approximately RMB8,926,000 arising from the acquisition of Zhongrong Insurance Brokers is attributable to the business cooperation of providing additional value-added services related to insurance to the customers and enhancing the user stickiness.

The revenue and loss included in the consolidated statements of comprehensive income since November 29, 2017 contributed by Zhongrong Insurance Brokers were RMB1,419,000 and RMB671,000 respectively.

(iii) *Acquisition of Kaizhuo Technology*

On December 31, 2017, the Group acquired 100% shares of Kaizhuo Technology from independent third parties for cash consideration and issuance of Series C preferred shares. As of December 31, 2017, RMB418,309,000 of cash consideration was not paid and the issuance of Series C preferred shares has not completed.

The following table summarizes the consideration for Kaizhuo Technology, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

|                                                                                                      | RMB'000        |
|------------------------------------------------------------------------------------------------------|----------------|
| Consideration:                                                                                       |                |
| Cash .....                                                                                           | 52,455         |
| Preferred shares of the Company to be issued .....                                                   | 168,460        |
| Payables .....                                                                                       | 418,309        |
| <b>Total consideration</b> .....                                                                     | <u>639,224</u> |
| <b>Fair value of identifiable assets acquired and liabilities assumed as at the acquisition date</b> |                |
| Cash and cash equivalents .....                                                                      | 8,644          |
| Property and equipment, net. ....                                                                    | 5,657          |
| License (included in intangible assets) .....                                                        | 499,000        |
| Intangible assets .....                                                                              | 3,175          |
| Trade and other receivables .....                                                                    | 10,568         |
| Trade and other payables .....                                                                       | (70,231)       |
| Deferred income tax liabilities .....                                                                | (124,750)      |
| <b>Total identifiable net assets</b> .....                                                           | 332,063        |
| Goodwill .....                                                                                       | <u>307,161</u> |
|                                                                                                      | <u>639,224</u> |

The goodwill of approximately RMB307,161,000 arising from the acquisition of Kaizhuo Technology is attributable to synergies that will enable the Group to provide more user-friendly online payment services, reduce the reliance on third party payment service providers and save the operation cost.

No revenue nor loss was included in the consolidated statements of comprehensive income since December 31, 2017 contributed by Kaizhuo Technology.

41 **Dividends**

No dividend has been paid or declared by the Company or the companies now comprising the Group during the Track Record Period.

**42 Contingencies**

The Group did not have any material contingent liabilities as at December 31, 2015, 2016 and 2017.

**43 Subsequent events**

Save as disclosed in the report, the following significant events took place subsequent to December 31, 2017:

In March 2018, the Company subdivided each of its issued and unissued ordinary share and preferred share of a par value of US\$0.0001 into 10 shares of a par value of US\$0.00001 each. Loss per share amounts presented in these consolidated financial statements have been revised on a retrospective basis to reflect the effect of the share split. The par value per share and share numbers in the other notes of these financial statements have not been retrospectively revised.

**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, 2017 and up to the date of this report.

## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The information set forth in this appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set forth in Appendix I, and is included in this appendix for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the sections headed "Financial Information" and the "Accountant's Report" set forth in Appendix I.*

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering on the net tangible assets of the Group attributable to the equity holders of the Company as of December 31, 2017 as if the Global Offering had taken place on December 31, 2017.

The unaudited pro forma statement of adjusted net tangible assets of the Group 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 as at December 31, 2017 or at any future dates following the Global Offering. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2017 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

|                                                             | Audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2017 <sup>(1)</sup> | Estimated net proceeds from the Global Offering <sup>(2)</sup> | Estimated impact to the net assets upon the conversion of the preferred shares <sup>(3)</sup> | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at December 31, 2017 | Unaudited pro forma adjusted net tangible assets per Share <sup>(4)</sup> |      |
|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|------|
|                                                             | RMB'000                                                                                                                                             | RMB'000                                                        | RMB'000                                                                                       | RMB'000                                                                                                                                              | RMB                                                                       | HK\$ |
| <b>Based on an Offer Price of HK\$8.50 per Share . . .</b>  | (5,611,283)                                                                                                                                         | 779,053                                                        | 6,815,260                                                                                     | 1,983,030                                                                                                                                            | 1.67                                                                      | 2.02 |
| <b>Based on an Offer Price of HK\$11.50 per Share . . .</b> | (5,611,283)                                                                                                                                         | 1,062,929                                                      | 6,815,260                                                                                     | 2,266,906                                                                                                                                            | 1.91                                                                      | 2.31 |

#### Notes:

- (1) The audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2017 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of the Group attributable to the equity holders of the Company as at December 31, 2017 of RMB4,584,512,000 with an adjustment for the intangible assets as at December 31, 2017 of RMB1,026,771,000.



- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$8.50 per Share and HK\$11.50 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB14,905,000 which have been accounted for in the Group's consolidated statements of comprehensive income prior to December 31, 2017) payable by the Company and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any shares which may be granted under the RSU Schemes or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.
- (3) Upon Listing, all of the Preferred Shares and Class B Ordinary Shares will be automatically converted into Shares pursuant to the respective share subscription agreements. Prior to the conversion, the Preferred Shares and Class B Ordinary Shares were accounted for as a liability to the Company. Accordingly, for the purpose of the unaudited pro forma adjusted consolidated net tangible assets, the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company will be increased by RMB6,815,260,000, being the carrying amounts of the Preferred Shares and Class B Ordinary Shares as at December 31, 2017.
- (4) 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 1,187,026,522 Shares are expected to be in issue immediately upon completion of the Global Offering (including completion of the conversion of the Preferred Shares and Class B Ordinary Shares into shares), which is assumed to be on December 31, 2017 for the purpose of the pro forma financial information, and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any shares which may be granted under the RSU Schemes or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.
- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.82614. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2017.

**B.    REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED 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 prospectus.*



羅兵咸永道

**INDEPENDENT    REPORTING    ACCOUNTANT'S    ASSURANCE    REPORT    ON    THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of 51 Credit Card Inc.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of 51 Credit Card Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at December 31, 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated June 29, 2018, in connection with the proposed initial public offering of the shares of the Company. 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.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at December 31, 2017 as if the proposed initial public offering had taken place at December 31, 2017. 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 the year ended December 31, 2017, 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").

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**Our Independence and Quality Control**

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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and 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 prospectus 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 proposed initial public offering at December 31, 2017 would have been as presented.

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## **APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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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) 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 of the Company 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, June 29, 2018

**SUMMARY OF THE CONSTITUTION OF THE COMPANY****1. Articles of Association**

The Articles of Association of the Company was conditionally adopted on June 24, 2018 and 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 Law or any other law of the Cayman Islands.

The Articles of Association is available for inspection at the address specified in Appendix V in the section headed “*Documents available for inspection*”.

**2. Articles of Association**

The Articles of Association of the Company were conditionally adopted on June 24, 2018 and include provisions to the following effect:

**2.1. Classes of Shares**

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$50,000 divided into 5,000,000,000 shares of US\$0.00001 each.

**2.2. Directors****(a) Power to allot and issue Shares**

Subject to the provisions of the Companies Law and the Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who 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, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

**(b) Power to dispose of the assets of the Company or any subsidiary**

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may

exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
  - (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
  - (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
    - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
    - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
  - (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- (g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided



amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless proposed by the Directors pursuant to the recommendation of the Nomination Committee, be

eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected, and such person has been approved by the Nomination Committee.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by a resolution of the Nomination Committee and by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed

for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. 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 a second or casting vote.

**2.3. *Alteration to constitutional documents***

No alteration or amendment to the Articles of Association may be made except by special resolution.

**2.4. *Variation of rights of existing shares or classes of shares***

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**2.5. *Alteration of capital***

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) 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 share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Articles of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may 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 or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

#### ***2.6. Special resolution—majority required***

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised 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 and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

### **2.7. *Voting rights***

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

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 allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of

shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

#### **2.8. *Annual general meetings***

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

#### **2.9. *Accounts and audit***

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

**2.10. *Notice of meetings and business to be conducted thereat***

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

**2.11. *Transfer of shares***

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;



- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

#### ***2.12. Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

#### ***2.13. Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

#### ***2.14. Dividends and other methods of distribution***

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.



Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend

entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

#### **2.15. *Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case,

in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

#### ***2.16. Calls on shares and forfeiture of shares***

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and

interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

#### ***2.17. Inspection of register of members***

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by 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 Directors may determine for each inspection.

#### ***2.18. Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

**2.19. *Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

**2.20. *Procedure on liquidation***

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be 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 of the Company 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. If in a winding up the assets available for distribution amongst the members of the Company 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 amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

**2.21. *Untraceable members***

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication

of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

## **SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**

### **1. Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, 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 20 September 2017 under the Companies Law. 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 authorised share capital.

### **3. Share Capital**

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law 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 Law 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 Law);
- (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 Law 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 authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised 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 authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised 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 Law, 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 Law permits, subject to a solvency test and the provisions, if any, of the company's 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 Law 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 Law 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 Law 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 Law 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 Law 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 authorised by the articles of association of the company.

#### **12. Subsidiary Owning Shares in Parent**

The Companies Law 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 Law 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 authorised by (a) a special resolution of each constituent company and (b) such other authorisation, 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 majority in number representing 75% in value of shareholders or 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. 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.

**18. 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.

**19. Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company may obtain 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 Law (2011 Revision).

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.

**20. Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**21. 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 summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "*Documents available for inspection*" in Appendix V. 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 OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under Cayman Islands law on September 20, 2017. Our Company's registered office address is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

Our Company has established a place of business in Hong Kong at Unit 1006, 10th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on October 24, 2017. Ms. Li Hiu Ling has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the Cayman Islands, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant provisions of our Articles of Association is set out in Appendix III to this prospectus. A summary of certain relevant aspects of the laws and regulations of the Cayman Islands is also set out in Appendix III to this prospectus.

**2. Changes in Share Capital**

Our Company was incorporated with an authorized share capital of US\$50,000 divided into 500,000,000 ordinary shares with a nominal value of US\$0.0001 each.

The following sets out the changes in the Company's share capital since its incorporation:

- (a) On November 22, 2017, the Company reclassified its 500,000,000 ordinary shares into 429,781,900 Class A Ordinary Shares with a par value of US\$0.0001 each, 2,863,500 Class B Ordinary Shares with a par value of US\$0.0001 each, 1,620,600 Series A-1 Preferred Shares with a par value of US\$0.0001 each, 1,193,400 Series A-2 Preferred Shares with a par value of US\$0.0001 each, 4,666,500 Series B Preferred Shares with a par value of US\$0.0001 each, 10,921,700 Series B-1 Preferred Shares with a par value of US\$0.0001 each and 48,952,400 Series C Preferred Shares with a par value of US\$0.0001 each.
- (b) On November 22, 2017, the Company:
  - (i) redesignated Rising Sun's 12,007,600 ordinary shares with a par value of US\$0.0001 each into 12,007,600 Class A Ordinary Shares with a par value of US\$0.0001 each;
  - (ii) redesignated HGEH Capital Holdings Limited's 1,496,700 ordinary shares with a par value of US\$0.0001 each into 1,496,700 Series C Preferred Shares with a par value of US\$0.0001 each;

- (iii) redesignated LF Alpha Ltd's 498,600 ordinary shares with a par value of US\$0.0001 each into 498,600 Class A Ordinary Shares with a par value of US\$0.0001 each;
- (iv) issued 1,080,400 Series A-1 Preferred Shares with a par value of US\$0.0001 each, 795,600 Series A-2 Preferred Shares with a par value of US\$0.0001 each and 3,111,000 Series B Preferred Shares with a par value of US\$0.0001 each to Sherry Beauty Limited;
- (v) issued 1,555,500 Series B Preferred Shares with a par value of US\$0.0001 each, 540,200 Series A-1 Preferred Shares with a par value of US\$0.0001 each and 397,800 Series A-2 Preferred Shares with a par value of US\$0.0001 each to Red Better Limited;
- (vi) issued 10,921,700 Series B-1 Preferred Shares with a par value of US\$0.0001 each to Taichang Investment Limited;
- (vii) issued 2,651,200 Class B Ordinary Shares with a par value of US\$0.0001 each to Claymore Partners II Trust;
- (viii) issued 5,521,300 Series C Preferred Shares with a par value of US\$0.0001 each to Tiantu Xingbei Investments Limited Company;
- (ix) issued 2,746,800 Class A Ordinary Shares with a par value of US\$0.0001 each and 6,786,000 Series C Preferred Shares with a par value of US\$0.0001 each to Tiantu Investments Limited;
- (x) issued 1,131,200 Series C Preferred Shares with a par value of US\$0.0001 each to Qianhai Ark (Cayman) Investment Co. Limited;
- (xi) issued 10,111,400 Series C Preferred Shares with a par value of US\$0.0001 each to Tai Shun Holdings Ltd;
- (xii) issued 5,035,500 Series C Preferred Shares with a par value of US\$0.0001 each to 51 Xihu L.P.;
- (xiii) issued 898,000 Series C Preferred Shares with a par value of US\$0.0001 each to Chung Taw Smart Card Investment Limited;
- (xiv) issued 748,400 Series C Preferred Shares with a par value of US\$0.0001 each to Aplus U51 Holdings Limited;
- (xv) issued 1,011,100 Series C Preferred Shares with a par value of US\$0.0001 each to Grand Genesis Enterprises Corporation;
- (xvi) issued 224,500 Series C Preferred Shares with a par value of US\$0.0001 each to Chan Kai Ming;

- (xvii) issued 782,800 Series C Preferred Shares with a par value of US\$0.0001 each to Grassland Bakery Inc.;
  - (xviii) issued 3,442,400 Series C Preferred Shares with a par value of US\$0.0001 each to Harvest Yuanxin Holdings Limited;
  - (xix) issued 654,500 Class A Ordinary Shares with a par value of US\$0.0001 each and 5,246,100 Series C Preferred Shares to Action Chain International Limited;
  - (xx) issued 4,272,900 Series C Preferred Shares with a par value of US\$0.0001 each to Gold Bull Investment Holding Inc.
  - (xxi) issued 810,400 Class A Ordinary Shares with a par value of US\$0.0001 each to Achieve Success Technology Development Limited;
  - (xxii) issued 212,300 Class B Ordinary Shares with a par value of US\$0.0001 each and 380,800 Series C Preferred Shares of US\$0.0001 each to MSK XF Holding Ltd;
  - (xxiii) issued 319,500 Class A Ordinary Shares with a par value of US\$0.0001 each to Tiantu China Consumer Fund I, L.P.;
  - (xxiv) issued 6,886,300 Class A Ordinary Shares with a par value of US\$0.0001 each to 51 Stock Limited; and
  - (xxv) issued 5,828,200 Class A Ordinary Shares with a par value of US\$0.0001 each to 51 Award Limited.
- (c) On 18 March 2018, the Company subdivided each of its issued and unissued share of a par value of US\$0.0001 into 10 shares of a par value of US\$0.00001 each, such that following the subdivision, the authorized share capital of the Company shall be US\$50,000 divided into 4,326,454,000 Ordinary Shares of US\$0.00001 par value each, of which 4,297,819,000 were designated as Class A Ordinary Shares and 28,635,000 were designated as Class B Ordinary Shares, and 673,546,000 Preferred Shares of US\$0.00001 par value each, of which 16,206,000 were designated as Series A-1 Preferred Shares, 11,934,000 were designated as Series A-2 Preferred Shares, 46,665,000 were designated as Series B Preferred Shares, 109,217,000 were designated as Series B-1 Preferred Shares and 489,524,000 were designated as Series C Preferred Shares
- (d) On 19 March 2018, the Company
- (i) issued 43,478,261 Class A Ordinary Shares with a par value of US\$0.00001 to 51 Stock Limited; and
  - (ii) issued 43,478,261 Class A Ordinary Shares with a par value of US\$0.00001 to 51 Award Limited.

Save as disclosed herein and in the section headed “- Resolutions of Shareholders passed on June 24, 2018”, there has been no alteration in the share capital of our Company since its incorporation.

**3. Resolutions of Shareholders passed on June 24, 2018**

Pursuant to the written resolutions of our Shareholders passed on June 24, 2018, our Shareholders resolved that, among other things:

- (a) Our Company approved and adopted the Articles of Association, which will come into effect upon the Listing.
- (b) Conditional upon (i) the Listing Committee of the Hong Kong Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares to be issued pursuant to and the Global Offering, the exercise of the Over-allotment Option and upon conversion of the Preferred Shares and Class B Ordinary Shares upon completion of the Global Offering; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:
  - (i) immediately after the conversion of the Preferred Shares and Class B Ordinary Shares, the authorized share capital of our Company will be changed to US\$50,000 divided into 5,000,000,000 Shares of a nominal value of US\$0.00001 each, by the re-designation of all authorized (issued and unissued) Preferred Shares, Class A Ordinary Shares and Class B Ordinary Shares as Ordinary Shares;
  - (ii) the Global Offering was approved and our Directors were authorized to effect the same and to allot and issue new Shares pursuant to the Global Offering;
  - (iii) the proposed listing of the Shares on the Hong Kong Stock Exchange as mentioned in this prospectus was approved and our Directors were authorized to implement such listing; and
  - (iv) the Over-allotment Option was approved and the Directors were authorized to effect the same and to allot and issue up to 17,805,500 Shares upon the exercise of the Over-allotment Option.
- (c) A general unconditional mandate was granted to our Directors to, inter alia, issue, allot and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors shall not exceed the aggregate of:
  - (i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and conversion of the Preferred Shares and Class B Ordinary Shares upon completion of the Global Offering; and



- (ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The total nominal value of the Shares which our Directors are authorized to allot and issue under this mandate will not be reduced by the allotment and issue of Shares pursuant to:

- (i) a rights issue;
- (ii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles as amended from time to time; or
- (iii) any specific authority granted by the Shareholders in general meeting.

This general mandate to issue Shares will expire at the earlier of:

- (i) the conclusion of our next annual general meeting; or
  - (ii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.
- (d) A general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and conversion of the Preferred Shares and Class B Ordinary Shares upon completion of the Global Offering.

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules and all applicable laws. Such mandate will expire at the earlier of:

- (i) the conclusion of our next annual general meeting; or
  - (ii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting; and
- (e) The general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the 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 aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (e) above (up to 10%

of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and conversion of the Preferred Shares and Class B Ordinary Shares upon completion of the Global Offering).

#### 4. Reorganization

The companies comprising our Group underwent Reorganization in preparation for the listing of the Shares on the Hong Kong Stock Exchange. For further details, please refer to the section headed “*Our History, Reorganization and Corporate Structure*” in this prospectus.

#### 5. Our Subsidiaries and PRC Operating Entities

Our Company’s subsidiaries and the PRC Operating Entities are set out in the Accountant’s Report in Appendix I to this prospectus. In addition to those disclosed in the section headed “*History, Reorganization and Corporate Structure*”, the following alterations in the share capital of our Company’s subsidiaries and the PRC Operating Entities have taken place within the two years immediately preceding the date of this prospectus:

##### Hangzhou Enniu

On April 11, 2016, the registered capital of Hangzhou Enniu was increased from RMB50,000,000 to RMB120,729,811.

From April 6, 2017, the registered capital of Hangzhou Enniu was increased from RMB120,729,811 to RMB224,928,555.

On September 12, 2017, the registered capital of Hangzhou Enniu was increased from RMB224,928,555 to RMB231,185,532.

On November 20, 2017, the registered capital of Hangzhou Enniu was increased from RMB231,185,532 to RMB235,797,623.

##### Hangzhou Liniu Assets Management Co., Ltd. (杭州利牛資產管理有限公司)

On December 6, 2017, the registered capital of Hangzhou Liniu Assets Management Co., Ltd. (杭州利牛資產管理有限公司) was increased from RMB5,000,000 to RMB6,250,000.

On January 10, 2018, the registered capital of Hangzhou Liniu Assets Management Co., Ltd. (杭州利牛資產管理有限公司) was increased from RMB6,250,000 to RMB206,250,000.

##### Hangzhou Jingjia Network Technology Co., Ltd. (上海靜嘉網絡科技有限公司)

On June 15, 2016, the registered capital of Hangzhou Jingjia Network Technology Co., Ltd. (上海靜嘉網絡科技有限公司) was increased from RMB100,000 to RMB20,100,000.

On December 23, 2016, the registered capital of Hangzhou Jingjia Network Technology Co., Ltd. (上海靜嘉網絡科技有限公司) was increased from RMB20,100,000 to RMB400,000,000.

**Hangzhou Yiniu Network Technology Co., Ltd. (杭州義牛資產管理有限公司)**

On June 20, 2016, the registered capital of Hangzhou Yiniu Network Tecnology Co., Ltd. (杭州義牛資產管理有限公司) was increased from RMB20,000,000 to RMB50,000,000.

On February 7, 2018, the registered capital of Hangzhou Yiniu Network Tecnology Co., Ltd. (杭州義牛資產管理有限公司) was increased from RMB50,000,000 to RMB70,000,000.

**Hangzhou Wuyao Technology Co., Ltd. (杭州吾么科技有限公司)**

On June 20, 2016, the registered capital of Hangzhou Wuyao Technology Co., Ltd. (杭州吾么科技有限公司) was increased from RMB10,000,000 to RMB50,000,000.

**Beijing Jianguo Credit Management Company Limited (北京堅果信用管理有限公司)**

On February 22, 2017, the registered capital of Beijing Jianguo Credit Management Company Limited (北京堅果信用管理有限公司) was increased from RMB500,000 to RMB50,000,000.

Save as disclosed above, there has been no alteration in the share or registered capital of any of the subsidiaries of our Company and the PRC Operating Entities within the two years immediately preceding the date of this prospectus.

**6. Share Repurchase Mandate**

This section includes information relating to the repurchase of our Shares, including information required by the Hong Kong Stock Exchange to be included in this prospectus concerning such repurchase.

**(a) *Relevant Legal and Regulatory Requirements***

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Hong Kong Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

**(b) *Shareholder Approval***

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On June 24, 2018, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise

of any over-allotment right) and conversion of the Preferred Shares and Class B Ordinary Shares upon completion of the Global Offering, on the Hong Kong Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose). This mandate will expire at the earlier of (i) the conclusion of our next annual general meeting, or (ii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting (the “**Relevant Period**”).

(c) *Source of Funds*

Our repurchase of the Shares listed on the Hong Kong Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Hong Kong Stock Exchange for consideration other than cash or for settlement other than in accordance with the trading rules of the Hong Kong Stock Exchange. Subject to the foregoing, we may make repurchases with profits of our Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by our Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company.

(d) *Suspension of Repurchase*

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, 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 Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our 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 our Company to publish an announcement of our Company’s 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), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(e) *Procedural and Reporting Requirements*

As required by the Listing Rules, repurchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company’s annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(f) ***Connected Parties***

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(g) ***Reasons for Repurchase***

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our 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 us and our Shareholders.

(h) ***Funding of Repurchase***

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Articles of Association, Cayman Companies Law or any other applicable laws of Cayman Islands and the Listing Rules.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which, in the opinion of our Directors, are from time to time appropriate for us.

(i) ***Share Capital***

The exercise in full of the current repurchase mandate, on the basis of 1,187,026,522 Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of any over-allotment right) and conversion of the Preferred Shares and Class B Ordinary Shares upon completion of the Global Offering, could accordingly result in up to 118,702,652 Shares being repurchased by us during the Relevant Period.

(j) ***General***

None of our Directors or, to the best of their knowledge, having made all reasonable inquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us or our subsidiaries.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Articles of Association, the Cayman Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares pursuant to the repurchase mandate, a shareholder's proportionate interest in our voting rights is increased, 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, depending on the level of increase of the Shareholders interest, could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Our Directors are not aware of any consequences of repurchases which could arise under the Takeovers Code if the repurchase mandate is exercised.

No connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the date of this prospectus that are or may be material:

- (a) the amended and restated shareholders' agreement entered into among our Company, 51 Credit Card (China) Limited, Hangzhou Zhenniu, Hangzhou Enniu, Mr. Sun, Rising Sun, 51 Stock Limited, 51 Award Limited, Tiantu Investments Limited, Action Chain International Limited, Achieve Success Technology Development Limited, LF Alpha Ltd, Tiantu China Consumer Fund I, L.P., Claymore Partners II Trust, MSK XF Holding Ltd, Sherry Beauty Limited, Red Better Limited, Taichang Investment Limited, Tiantu Xingbei Investments Limited Company, Qianhai Ark (Cayman) Investment Co. Limited (前海方舟(開曼)投資有限公司), Tai Shun Holdings Ltd, 51 Xinhua L.P., Chung Taw Smart Card Investment Limited, Aplus U51 Holdings Limited, HGEH Capital Holdings Limited, Grand Genesis Enterprises Corporation, Chan Kai Ming, Grassland Bakery Inc., Harvest Yuanxin Holdings Limited, Gold Bull Investment Holding Inc., dated March 19, 2018, governing the respective rights and obligations of our Shareholders;
- (b) the exclusive business cooperation agreement entered into among Hangzhou Zhenniu, Hangzhou Enniu, Hangzhou Liniu Asset Management Co., Ltd. (杭州利牛資產管理有限公司), Daqing Liniu Information Technology Consulting Services Co., Ltd. (大慶利牛信息技術諮詢服務有限公司), Hangzhou Xingniu Information Technology Co., Ltd. (杭州興牛信息科技有限公司), Hangzhou Dujiaoshou Technology Co., Ltd. (杭州獨角獸科技有限公司), Shanghai Qidian Information Technology Co., Ltd. (上海前點信息科技有限公司), Hangzhou Wuyao Technology Co., Ltd. (杭州吾么科技有限公司), Hangzhou Enniu Internet Financial Services Co., Ltd. (杭州恩牛互聯網金融服務有限公司), Hangzhou Yiniu Network Technology Co., Ltd. (杭州義牛網絡技術有限公司), Hangzhou Yeniu Asset Management Co., Ltd. (杭州也牛資產管理有限公司), Beijing Dingli Chuangshi Technology Co., Ltd. (北京鼎力創世科技有限公司), Hangzhou Shangniu Information Technology Co., Ltd. (杭州尚牛信息技術有限公司), Hangzhou Shangniu Investment Management Partnership (Limited Partnership) (杭州商牛投資管理合夥企業(有限合夥)),

Beijing Shouhui Kaizhuo Technology Co., Ltd. (北京首惠開桌科技有限公司), Beijing Yaku Shikong Information Exchange Technology Co., Ltd. (北京雅酷時空信息交換技術有限公司), Beijing Shouhui Shidai Information Technology Co., Ltd. (北京首惠時代信息技術有限公司), Beijing Yahui Shidai Information Consulting Co., Ltd. (北京雅惠時代信息諮詢有限公司), Fuzhou Enniu Network Micro Credit Co., Ltd. (撫州市恩牛網絡小額貸款有限公司), Shanghai Jingjia Network Technology Co., Ltd. (上海靜嘉網絡科技有限公司), Hangzhou Jiniu Network Technology Co., Ltd. (杭州基牛網絡技術有限公司), Hangzhou Shangniu Network Technology Co., Ltd. (杭州商牛網絡科技有限公司), Shanghai Wuniu Network Technology Co., Ltd. (上海悟牛網絡科技有限公司), Beijing Jiujiu Fenqi Technology Co., Ltd. (北京九九分期科技有限公司) and Shenzhen Zhongrong Insurance Broker Co., Ltd. (深圳中融保險經紀有限公司), dated December 31, 2017, pursuant to which Hangzhou Zhenniu is engaged by other parties to the agreement as the exclusive provider for business support, technical and consulting services in exchange for service fees;

- (c) the exclusive option agreement entered into among Hangzhou Zhenniu, Hangzhou Enniu and the Registered Shareholders, dated December 31, 2017, pursuant to which the Registered Shareholders agree to grant to Hangzhou Zhenniu (or the Company or any subsidiary of the Company) an irrevocable and exclusive option to acquire or purchase from the Registered Shareholders and/or Hangzhou Enniu all or any part of their equity interests in and/or assets of Hangzhou Enniu at a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request;
- (d) the share pledge agreement entered into among Hangzhou Zhenniu, Hangzhou Enniu and the Registered Shareholders, dated December 31, 2017, pursuant to which the Registered Shareholders pledged as first charge all of their respective equity interests in Hangzhou Enniu to Hangzhou Zhenniu as collateral security for any or all of their payments due to Hangzhou Zhenniu and to secure performance of their obligations under the agreements entered into with Hangzhou Zhenniu;
- (e) the spouse undertakings made by Luo Jiejie and Tao Qin, being the spouses of Sheng Xitai and Wang Yawei, respectively, dated December 31, 2017, pursuant to which each of Luo Jiejie and Tao Qin irrevocably undertakes to refrain from claiming any interests or rights in the equity interests of Sheng Xitai or Wang Yangwei in Hangzhou Enniu and acknowledges that the rights are not properties jointly owned by herself and Sheng Xitai or Wang Yangwei;
- (f) a power of attorney entered into among Hangzhou Zhenniu, Hangzhou Enniu and the Registered Shareholders, dated December 31, 2017, pursuant to which Registered Shareholders irrevocably undertake to appoint Hangzhou Zhenniu or a director of the Company or its/his/her successor (including a liquidator replacing Hangzhou Zhenniu's director) as their exclusive agent and attorney to act on their behalf on all material matters concerning Hangzhou Enniu;



- (g) the voting proxy agreement entered into among our Company, 51 Award Limited, 51 Stock Limited, Achieve Success Technology Development Limited, Action Chain International Limited, LF Alpha Ltd, MSK XF Holding Ltd, Tiantu Investments Limited and Rising Sun, dated June 26, 2018, pursuant to which Rising Sun will be entitled to exercise, in its sole discretion, all the voting powers associated with the shares of the Company on behalf of the parties to the voting proxy agreement on all matters submitted to a vote of shareholders of the Company at any meeting of shareholders, except for matters in respect of which Rising Sun is required to abstain from voting pursuant to the Listing Rules or any other applicable laws and rules (including the applicable Cayman Islands laws and rules with respect to corporate governance);
- (h) the Cornerstone Investment Agreement entered into among our Company, CNCB (Hong Kong) Investment Limited, Citigroup Global Markets Asia Limited, China Merchants Securities (HK) Co., Limited and CLSA Limited, dated June 27, 2018, pursuant to which CNCB (Hong Kong) Investment Limited agreed to subscribe for our Shares in the amount of US\$30 million; and
- (i) the Hong Kong Underwriting Agreement.

## 2. Intellectual Property Rights

As at the Latest Practicable Date, we have registered or have applied for the registration of the following material intellectual property rights.

### (i) *Trademarks*

As at the Latest Practicable Date, we have registered the following trademarks which we believe are material to our business:

| Item | Trademark     | Place of Registration | Registered Owner | Trademark Application Number | Class | Term of Validity     |
|------|---------------|-----------------------|------------------|------------------------------|-------|----------------------|
| 1    | <b>51人品</b>   | PRC                   | Hangzhou Enniu   | 19555024                     | 9     | 21/05/17 to 20/05/27 |
|      |               |                       |                  | 19555106                     | 35    |                      |
|      |               |                       |                  | 17490615                     | 36    | 21/11/16 to 20/11/26 |
|      |               |                       |                  | 19555251                     | 38    | 28/05/17 to 27/05/27 |
|      |               |                       |                  | 19555434                     | 42    |                      |
| 2    | <b>51 人品付</b> | PRC                   | Hangzhou Enniu   | 18274651                     | 36    | 14/12/16 to 13/12/26 |



|    |                                                                                     |     |                |          |        |                      |
|----|-------------------------------------------------------------------------------------|-----|----------------|----------|--------|----------------------|
| 3  | 人品卡                                                                                 | PRC | Hangzhou Enniu | 20555839 | 35     | 28/08/17 to 27/08/27 |
|    |                                                                                     |     |                | 20556106 | 36     | 21/10/17 to 20/10/27 |
|    |                                                                                     |     |                | 20555853 | 38     | 28/08/17 to 27/08/27 |
|    |                                                                                     |     |                | 20556122 | 41     |                      |
|    |                                                                                     |     |                | 20555903 | 42     |                      |
|    |                                                                                     |     |                | 20556031 | 45     |                      |
| 4  | 51 人品卡                                                                              | PRC | Hangzhou Enniu | 20555891 | 35     | 28/08/17 to 27/08/27 |
|    |                                                                                     |     |                | 20555736 | 38     |                      |
|    |                                                                                     |     |                | 20555998 | 42     |                      |
| 5  | 51                                                                                  | PRC | Hangzhou Enniu | 19570208 | 16     | 28/05/17 to 27/05/27 |
|    |                                                                                     |     |                | 19570272 | 35     |                      |
| 6  |   | PRC | Hangzhou Enniu | 18312019 | 16     | 28/02/17 to 27/02/27 |
|    |                                                                                     |     |                |          | 36     | 28/02/17 to 27/02/27 |
| 7  | 99分期                                                                                | PRC | Hangzhou Enniu | 14752154 | 42     | 28/06/15 to 27/06/25 |
| 8  | ENNIU                                                                               | PRC | Hangzhou Enniu | 19531516 | 36     | 21/05/17 to 20/05/27 |
|    |                                                                                     |     |                | 19531679 | 38, 41 |                      |
|    |                                                                                     |     |                | 19532017 | 42     |                      |
|    |                                                                                     |     |                | 19532095 | 45     |                      |
| 9  |  | PRC | 北京鼎力公司         | 20249277 | 9      | 28/07/17 to 27/07/27 |
| 10 | 给你花                                                                                 | PRC | 北京鼎力公司         | 20249324 | 9      | 28/07/17 to 27/07/27 |
| 11 | 嗨皮贷                                                                                 | PRC | 北京鼎力公司         | 20249558 | 42     | 28/07/17 to 27/07/27 |
| 12 |  | PRC | 北京鼎力公司         | 20249184 | 9      | 28/07/17 to 27/07/27 |

|    |                                                                                   |           |                   |           |                         |                         |
|----|-----------------------------------------------------------------------------------|-----------|-------------------|-----------|-------------------------|-------------------------|
| 13 | <b>99分期</b>                                                                       | PRC       | 北京鼎力公司            | 16563508  | 35                      | 14/03/17 to<br>13/03/27 |
| 14 |  | Hong Kong | Hangzhou<br>Enniu | 304256578 | 9, 36                   | 30/08/17 to<br>29/08/27 |
| 15 |  | Hong Kong | Hangzhou<br>Enniu | 304256569 | 9, 36                   | 30/08/17 to<br>29/08/27 |
| 16 | <b>51信用卡</b><br><b>51信用咕</b>                                                      | Hong Kong | Hangzhou<br>Enniu | 304261680 | 9, 16,<br>35, 36,<br>42 | 04/09/17 to<br>03/09/27 |

As at the Latest Practicable Date, we have applied for registration of the following trademark which we believe are material to our business:

| Item | Trademark                                                                                                                                                                  | Place of<br>Registration | Name of<br>Applicant | Application<br>Number | Class     | Date of<br>Application<br>(dd/mm/yy) |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------|-----------------------|-----------|--------------------------------------|
| 1    | <br> | Hong Kong                | Hangzhou<br>Enniu    | 304256550             | 9, 35, 36 | 30/08/17                             |

(iii) *Copyright*

As at the Latest Practicable Date, we have registered the following copyrights which we believe are material to our business:

| Item | Copyright                   | Version                  | Place of Registration | Registration Number | Registration Date (dd/mm/yy) |
|------|-----------------------------|--------------------------|-----------------------|---------------------|------------------------------|
| 1    | 51錢管家<br>(簡稱：51錢管家)         | v2.0                     | PRC                   | 2015SR027097        | 06/02/15                     |
| 2    | 51信用卡管家系統<br>(簡稱：51信用卡管家)   | v1.0                     | PRC                   | 2013SR032862        | 11/04/13                     |
| 3    | 辦卡神器軟體<br>(簡稱：辦卡神器)         | v.1.3.01                 | PRC                   | 2015SR059762        | 03/04/15                     |
| 4    | 51卡保險箱軟體<br>(簡稱：51卡保險箱)     | v.5.0.0                  | PRC                   | 2015SR120191        | 30/06/15                     |
| 5    | 提額神器軟體<br>(簡稱：提額神器)         | v.1.0                    | PRC                   | 2015SR024931        | 04/02/15                     |
| 6    | 51銀行卡保險箱軟體<br>(簡稱：51銀行卡保險箱) | v.4.1.1                  | PRC                   | 2015SR039714        | 05/03/15                     |
| 7    | 51銀行卡管家系統<br>(簡稱：51銀行卡管家)   | v.1.0                    | PRC                   | 2013SR045916        | 17/05/13                     |
| 8    | 51信用卡社區軟體                   | v.1.0                    | PRC                   | 2016SR369320        | 13/12/16                     |
| 9    | 51信用卡管家軟體                   | i.OS version<br>8.8.0    | PRC                   | 2016SR369349        | 13/12/16                     |
| 10   | 51信用卡管家軟體                   | Android version<br>8.8.0 | PRC                   | 2016SR369322        | 13/12/16                     |
| 11   | 51金融催收系統                    | v.1.0                    | PRC                   | 2017SR021734        | 22/01/17                     |
| 12   | 義牛51人品貸軟體                   | Android version<br>1.0.0 | PRC                   | 2017SR594162        | 30/10/17                     |
| 13   | 51人品貸軟體                     | i.OS version<br>1.1.0    | PRC                   | 2017SR594365        | 30/10/17                     |
| 14   | 51人品買單軟體                    | Android version<br>4.3.0 | PRC                   | 2016SR368810        | 29/06/17                     |
| 15   | 51人品買單軟體                    | i.OS version<br>4.3.0    | PRC                   | 2016SR365285        | 29/06/17                     |
| 16   | 51人品軟體<br>(簡稱：51人品)         | v.3.1.0                  | PRC                   | 2016SR356973        | 29/06/17                     |
| 17   | 51人品軟體                      | i.OS version<br>4.3.0    | PRC                   | 2016SR368806        | 29/06/17                     |
| 18   | 義牛51人品軟體                    | Android version<br>4.3.0 | PRC                   | 2016SR369317        | 06/06/17                     |
| 19   | 51金融信審系統                    | v.1.0                    | PRC                   | 2016SR404064        | 01/06/17                     |
| 20   | 51金融清算系統                    | v.1.0                    | PRC                   | 2016SR403059        | 01/06/17                     |
| 21   | 義牛人品小額信貸軟體<br>(簡稱：51零用錢)    | Android version<br>1.0   | PRC                   | 2017SR639424        | 21/11/17                     |

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

| Item | Copyright                      | Version               | Place of Registration | Registration Number | Registration Date (dd/mm/yy) |
|------|--------------------------------|-----------------------|-----------------------|---------------------|------------------------------|
| 22   | 義牛人品小額信貸軟體 (簡稱：51零用錢)          | i.OS version 1.0      | PRC                   | 2017SR639434        | 21/11/17                     |
| 23   | 義牛客服管理系統軟體 (簡稱：客服管理系統)         | v.1.0                 | PRC                   | 2017SR163221        | 06/07/17                     |
| 24   | 義牛運營管理系統軟體                     | v.1.0                 | PRC                   | 2017SR164177        | 06/07/17                     |
| 25   | 義牛人品買單後臺管理系統軟體(簡稱：人品買單後臺管理)    | v.1.0                 | PRC                   | 2017SR164348        | 29/06/17                     |
| 26   | 義牛人品買單商家安卓版(簡稱：人品買單商家)軟體       | v.1.0                 | PRC                   | 2017SR164352        | 29/06/17                     |
| 27   | 義牛人品買單商家IOS版(簡稱：人品買單商家)軟體      | v.1.0                 | PRC                   | 2017SR164356        | 08/06/17                     |
| 28   | 品牛金融風控系統軟體(簡稱：風控系統)            | v.1.0                 | PRC                   | 2017SR196969        | 23/05/17                     |
| 29   | 給你花年輕人的信用錢包軟體 (簡稱:給你花android版) | Android Version 2.1.0 | PRC                   | 2016SR279922        | 28/09/16                     |
| 30   | 給你花年輕人的信用錢包軟體 (簡稱:給你花ios版)     | iOS version 2.1.0     | PRC                   | 2016SR279919        | 28/09/16                     |
| 31   | 嗨皮貸年輕人的信用錢包軟體 (簡稱：嗨皮貸)         | Android Version 2.0.0 | PRC                   | 2016SR394387        | 26/12/16                     |
| 32   | 嗨皮貸年輕人的信用錢軟體 (簡稱：嗨皮貸)          | iOS version 2.0.0     | PRC                   | 2016SR395881        | 26/12/16                     |
| 33   | 賬單俠軟體 (簡稱：賬單俠)                 | Android Version 1.1.0 | PRC                   | 2017SR244709        | 08/06/17                     |
| 34   | 給你花借錢軟體 (簡稱：給你花)               | Android Version 2.4.0 | PRC                   | 2017SR258509        | 13/06/17                     |
| 35   | 給你花貸款軟體 (簡稱：給你花)               | iOS version 2.2.0     | PRC                   | 2017SR268038        | 15/06/17                     |
| 36   | 給你花軟體 (簡稱：給你花)                 | Pro iOS version 2.2.0 | PRC                   | 2017SR271150        | 15/06/17                     |
| 37   | 給你花極速版軟體 (簡稱：給你花)              | iOS version 2.4.0     | PRC                   | 2017SR275847        | 16/06/17                     |
| 38   | 給你花借錢軟體 (簡稱：給你花)               | iOS version 2.4.0     | PRC                   | 2017SR275855        | 16/06/17                     |
| 39   | 給你花極速版軟體 (簡稱：給你花)              | Android Version 2.4.0 | PRC                   | 2017SR278486        | 17/06/17                     |
| 40   | 給你花信審後台系統 (簡稱：給你花)             | V1.0.0                | PRC                   | 2017SR320861        | 28/06/17                     |

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

| Item | Copyright                    | Version               | Place of Registration | Registration Number | Registration Date (dd/mm/yy) |
|------|------------------------------|-----------------------|-----------------------|---------------------|------------------------------|
| 41   | 給你花客服後台系統 (簡稱：給你花)           | V1.0.0                | PRC                   | 2017SR320872        | 28/06/17                     |
| 42   | 給你花活動管理系統 (簡稱：活動管理後台)        | V1.0.0                | PRC                   | 2017SR377720        | 18/07/17                     |
| 43   | 恩牛多維度大數據徵信系統 (簡稱：51 信用卡徵信系統) | v.1.0                 | PRC                   | 2017SR626283        | 15/11/17                     |
| 44   | 給你花貸款軟體 (簡稱：給你花)             | Android Version 2.2.0 | PRC                   | 2017SR271142        | 15/06/17                     |

### (iv) *Domain Names*

As at the Latest Practicable Date, we have registered the following material Internet domain names which we believe are material to our business:

| Item | Domain Name                                                                                                   | Domain owner                                | Registration Date (dd/mm/yy) | Expiry Date (dd/mm/yy) |
|------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------|------------------------------|------------------------|
| 1    | u51.com                                                                                                       | Hangzhou Enniu                              | 30/11/04                     | 30/11/25               |
| 2    | 51zhangdan.com<br>51zhangdan.net<br>51zhangdan.org<br>51zhangdan.cn<br>51zhangdan.com.cn<br>51zhangdan.net.cn | Hangzhou Enniu                              | 30/03/12                     | 30/03/25               |
| 3    | 51renpin.com                                                                                                  | Hangzhou Yiniu Network Technology Co., Ltd. | 29/06/14                     | 29/06/25               |
| 4    | 51rp.com                                                                                                      | Hangzhou Yiniu Network Technology Co., Ltd. | 21/09/04                     | 21/09/25               |
| 5    | geinihua.com                                                                                                  | 北京鼎力公司                                      | 13/11/14                     | 13/11/19               |
| 6    | zhangdanxia.com                                                                                               | 北京鼎力公司                                      | 16/12/16                     | 16/12/19               |
| 7    | 51jiedao.com                                                                                                  | 杭州尚牛公司                                      | 04/08/17                     | 04/08/22               |

### C. FURTHER INFORMATION ABOUT OUR DIRECTORS, STAFF, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

#### 1. Disclosure of Interests of Directors

Save as disclosed below, immediately following the completion of the Global Offering (on the basis that all the Class B Ordinary Shares and Preferred Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised), so far as our Directors are aware, the interests or short positions of our Directors and the chief executives in any Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were 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 entered in the register referred to therein, or which 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 our Company, once the Shares are listed on the Hong Kong Stock Exchange, will be as follows:

##### (i) Interest in Shares

| Name of Directors<br>and chief<br>executive | Nature of interest                                                                            | Relevant company | Number and class<br>of securities | Approximate percentage<br>of issued shares<br>immediately after<br>completion of<br>the Global Offering |
|---------------------------------------------|-----------------------------------------------------------------------------------------------|------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------|
| Mr. Sun <sup>(1)</sup>                      | Settlor and<br>beneficiary of a<br>trust                                                      | the Company      | 120,076,000<br>Shares             | 10.12%                                                                                                  |
| Mr. Sun <sup>(2)</sup>                      | Interest of a party to<br>an agreement<br>regarding interest in<br>the Company <sup>(2)</sup> | the Company      | 50,355,000<br>Shares              | 4.24%                                                                                                   |
| Mr. Sun <sup>(3)</sup>                      | Interest of a party to<br>an agreement<br>regarding interest in<br>the Company <sup>(3)</sup> | the Company      | 387,756,522<br>Shares             | 32.67%                                                                                                  |

*Notes:*

- (1) Rising Sun is wholly-owned by Wukong Ltd. Wukong Ltd. is beneficially owned by Wukong Trust, which was established by Mr. Sun as the settlor. TMF (Cayman) Ltd. is the trustee of Wukong Trust. Mr. Sun is the beneficiary of Wukong Trust.
- (2) Pursuant to the Limited Partnership Agreement. See the section headed “*Relationship with Our Controlling Shareholders*” for details.

- (3) Pursuant to the Voting Proxy Agreement. See the section headed “*Relationship with Our Controlling Shareholders*” for details.

(ii) *Interest in the shares of associated corporation*

| Name of Director<br>and chief executive |                                    | Name of associated corporation           | Number and class of securities | Approximate percentage of shareholding |
|-----------------------------------------|------------------------------------|------------------------------------------|--------------------------------|----------------------------------------|
|                                         | Nature of interest                 |                                          |                                |                                        |
| Mr. Sun <sup>(1)</sup>                  | Settlor and beneficiary of a trust | China Netcom Technology Holdings Limited | 1,834,963,213 ordinary shares  | 39.28%                                 |

*Note:*

- (1) 51Renpin.Com Inc. holds 1,834,963,213 shares of China Netcom Technology Holdings Limited, a listed company on the Stock Exchange. 51Renpin.Com Inc. is wholly owned by Shanghai Wuniu. Shanghai Wuniu is wholly owned by Hangzhou Enniu Network Technology Co., Ltd. (杭州恩牛網絡技術有限公司). Hangzhou Enniu Network Technology Co., Ltd. (杭州恩牛網絡技術有限公司) is controlled by the Company via contractual arrangements entered into on November 23, 2017 and amended on December 31, 2017. Rising Sun Limited holds 11.2397% interest in the Company and is wholly-owned by Wukong Ltd.. Wukong Ltd. is beneficially owned by Wukong Trust, which was established by Mr. Sun as the settlor. TMF (Cayman) Ltd. is the trustee of Wukong Trust. Mr. Sun is the beneficiary of Wukong Trust.

## 2. Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering (on the basis that all the Class B Ordinary Shares and Preferred Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised), have interests or short positions in our shares or underlying shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, please refer to the section headed “*Substantial Shareholders*” of this prospectus.

Save as set out above, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (on the basis that all the Preferred Shares and Class B Ordinary Shares are converted into our Shares on a one-for-one basis and the over-allotment rights are not exercised), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

## 3. Service Contracts

Our executive Directors and non-executive Directors have each entered into a service contract with our Company pursuant to which they agree to act as an executive Director or a non-executive Director (as the case may be) for an initial term of three years from the Listing Date (subject to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one

month's prior notice in writing. Each of our independent non-executive Directors has signed a letter of appointment with our Company and has been appointed for a term of one year from the Listing Date. The appointment may be terminated by either party giving to the other not less than one month prior notice in writing.

Save as disclosed above, we have not entered, and will not enter, into any service contracts with any of our Directors in their respective capacities as Directors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

#### 4. Directors' Remuneration

Save as disclosed in the section headed "*Directors, and Senior Management*" and II "*Notes to the Historical Financial Information—10 Directors' Remuneration*" in "Appendix I—Accountant's Report to this prospectus, no Director received any other remuneration or benefits in kind from our Company in respect of each of the three financial years ended December 31, 2015, 2016 and 2017.

Under the arrangement currently in force, the aggregate amount of remuneration payable by our Group to our Directors for the year ended December 31, 2018 will be approximately RMB21.8 million.

#### 5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of our Directors or any of the parties listed in the paragraph headed "*Qualification of Experts*" of this appendix is interested in our promotion, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;
- (c) none of our Directors or any of the parties listed in the paragraph headed "*Qualification of Experts*" of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business taken as a whole; and



- (d) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in the paragraph headed “*Qualification of Experts*” of this appendix is interested legally or beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (e) none of our Directors or their close associates or our Shareholders who to the knowledge of our Directors owns more than 5% of our issued share capital has any interests in our top five largest business customers or suppliers; or
- (f) other than Mr. Sun, none of our Directors or the chief executives is a director or employee of a company who will, immediately following completion of the Global Offering (on the basis that all the Class B Ordinary Shares and Preferred Shares are converted into our Shares on a one-for-one basis and assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

#### D. RSU SCHEMES

##### 1. 51 Stock Scheme

###### Summary of Terms

Our Company has adopted the 51 Stock Scheme by a resolution of our Board on November 20, 2017. The RSU Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as the 51 Stock Scheme do not involve the grant of options by our Company to subscribe for new Shares.

##### 1. *Purposes of the 51 Stock Scheme*

The purpose of the 51 Stock Scheme is to recognize and reward RSU Participants (as defined below) for their contribution to the Group, to attract suitable personnel, and to provide incentives to them to remain with and further contribute to the Group.

##### 2. *Awards*

An award of RSUs under the 51 Stock Scheme (“**Award(s)**”) gives a Participant a conditional right upon vesting of the Award to obtain either Shares or an equivalent value in cash with reference to the value of the Shares on or about the date of vesting as determined by the committee duly authorized by the Board to administer the 51 Stock Scheme (the “**Committee**”) in its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges. An award may include, if so specified by the Committee in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

### 3. *51 Stock Scheme Limit*

Unless otherwise duly approved by the Shareholders, the total number of Shares underlying the 51 Stock Scheme shall not exceed 112,341,261 Shares (excluding Shares underlying RSUs that have lapsed or been cancelled in accordance with the 51 Stock Scheme). Our Company will not further issue new Shares for the purpose of the 51 Stock Scheme.

### 4. *RSU Participants in the 51 Stock Scheme*

Participants of the 51 Stock Scheme (“**RSU Participants**”) include the following:

- (i) any member of senior management of the Group; or
- (ii) any person who, in the sole opinion of the Committee, has contributed or will contribute to any member of the Group (including business partners of any member of the Group, such as suppliers, customers or any persons who provide technical support, consultancy, advisory or other services to any member of the Group), as may be specifically identified by the Committee.

### 5. *Term of the 51 Stock Scheme*

Subject to any early termination as may be determined by the Board pursuant to the termination clause of the 51 Stock Scheme, the 51 Stock Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption, after which no Awards will be granted, but the provisions of the 51 Stock Scheme shall in all other respects remain in full force and effect and the Awards granted during the term of the 51 Stock Scheme may continue to be valid and exercisable in accordance with their terms of grant.

### 6. *Administration of the 51 Stock Scheme*

The 51 Stock Scheme shall be subject to the interpretation and administration of the Board. The Board shall have the sole and absolute right to (i) interpret and construe the provisions of the 51 Stock Scheme, (ii) determine the persons who will be granted Awards under the 51 Stock Scheme, the terms and conditions on which Awards are granted and when the RSUs granted pursuant to the 51 Stock Scheme may vest, (iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the 51 Stock Scheme as it deems necessary and (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the 51 Stock Scheme. The Board may delegate its powers in the administration of the 51 Stock Scheme to the Committee unless otherwise stated in the 51 Stock Scheme. All the decisions, determinations and interpretations made by the Board or its Committee shall be final, conclusive and binding on all parties.

### 7. *Appointment of RSU Trustee*

The Company has appointed Vistra Trust Fiduciary (Hong Kong) Limited, a trustee service provider and an Independent Third Party, to administer the granting and vesting of RSUs granted to the grantees pursuant to the 51 Stock Scheme.

## 8. *Grant of RSU*

On and subject to the terms of the 51 Stock Scheme and the terms and conditions that the Committee imposes, the Committee shall be entitled at any time during the term of the RSU Schemes to make an offer of the grant of an Award in accordance with the 51 Stock Scheme (a “**Grant**”) to any Participant, as the Board may in its absolute discretion determine.

The amount of an Award may be determined at the sole and absolute discretion of the Committee and may differ among selected RSU Participants.

Awards may be granted on such terms and conditions as the Committee may determine, provided that such terms and conditions shall be consistent with any other terms and conditions of the RSU Schemes.

The consideration payable by a selected Participant to 51 Stock Limited for acceptance of an Award under the RSU Schemes shall be determined at the sole and absolute discretion of the Committee.

The Committee may direct the RSU Trustee to procure 51 Stock Limited to remit the consideration received by it to such entity as may be nominated by the Committee from time to time.

After the Committee has selected the RSU Participants, it will inform the RSU Trustee of the name(s) of the person(s) selected, the number of Shares underlying the RSUs to be granted to each of them, the vesting schedule, the lock-up arrangements upon vesting (as applicable where the RSUs shall vest immediately upon acceptance of the Grant as determined by the Committee) and other terms and conditions (if any) that the Award is subject to as determined by the Committee.

Subject to limitations and conditions of the 51 Stock Scheme, the Committee may by written notification grant to each of the RSU Participants an offer of grant of Award by way of a letter or any such notice or document in such form as the Committee may from time to time determine (“**Notice of Grant**”), which shall attach an acceptance notice (“**Acceptance Notice**”), subject to conditions as the Committee thinks fit.

## 9. *Acceptance of Award*

If any Participant intends to accept the Grant as specified in the Notice of Grant, he is required to sign the Acceptance Notice, and return it to the Committee within the time period and in a manner prescribed in the Notice of Grant. Upon the receipt from the selected Participant of a duly executed Acceptance Notice and full payment of any payable consideration, the RSUs shall be granted to such Participant in respect of a Board Lot or an integral multiple thereof, and such Participant shall become a Grantee pursuant to the 51 Stock Scheme. To the extent that the Grant is not accepted by any Participant within the time period or in a manner prescribed in the Notice of Grant, it shall be deemed that such Grant has been irrevocably declined and thus the RSUs have immediately lapsed.

**10. *Restrictions on Grants***

No Grant shall be made to, nor shall any Grant be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or law.

Upon completion of the Global Offering, a Grant must not be made after inside information has come to the knowledge of the Company until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (i) the date of the meeting of the Board (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 Company to publish an announcement of 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), and ending on the date of the results announcement,

no Award may be granted. Such period will cover any period of delay in the publication of a results announcement.

The Committee may not grant any Awards to any RSU Participants in any of the following circumstances:

- (i) the requisite approvals for that Grant from any applicable regulatory authorities have not been obtained; or
- (ii) the securities laws or regulations require that a prospectus or other offering document(s) be issued in respect of the Grant or the RSU Schemes, unless the Committee determines otherwise;
- (iii) where the Grant would result in a breach of any applicable securities laws, rules or regulations by any member of the Group or any of its directors; or
- (iv) the Grant would result in breach of the RSU Limit or other rules of the RSU Schemes.

**11. *Grant to Directors***

Upon completion of the Global Offering, where any Award is proposed to be granted to a Director, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

- (a) 60 days immediately preceding the publication date of the annual results, or if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (b) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results, or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

**12. *Grant to Connected Persons***

Upon completion of the Global Offering, any Grant to any Director, chief executive officer or substantial shareholder of the Company, or any of their respective associates (as defined under the Listing Rules), shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules.

Notwithstanding the foregoing, any grant of an Award to a Director pursuant to Rule 14A.95 of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant Director's remuneration under his service contract.

**13. *Rights attached to Awards***

The RSUs do not carry any right to vote at general meetings of the Company. No Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an Award pursuant to the 51 Stock Scheme, unless and until such Shares underlying the Award are actually transferred to the Grantee upon the vesting of the RSU provided that the Grantee, his wholly owned entity or any such trust arrangement as directed by him shall enter into an agreement in writing with Mr. Sun delegating the voting rights attached to such Shares by proxy to Mr. Sun or his delegated entity(ies). Unless otherwise specified by the Committee in its entire discretion in the Notice of Grant, the Grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award.

**14. *Rights attached to Shares***

Any Shares to be transferred to a Grantee or his wholly owned entity upon the vesting of RSUs granted pursuant to the 51 Stock Scheme shall be subject to all the provisions of the Articles of Association of the Company and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date of transfer, or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, and accordingly shall entitle the holder of such Shares to participate in all dividends or other distributions paid or made on or after the date of transfer.

**15. *Awards to be Personal to the Grantee***

Any Award granted pursuant to the RSU Schemes shall be personal to the Grantee and shall not be assignable or transferable, except as pursuant to an assignment or transfer from a Grantee to the RSU Trustee, 51 Stock Limited, a company wholly owned by him or between two companies both of

which are wholly owned by him, provided that, following the Grantee's death, the RSUs may be transferred by will or by the laws of testacy and distribution. The terms of the 51 Stock Scheme and the Notice of Grant shall be binding upon the executors, administrators, heirs, successors and assigns of the Grantee.

Notwithstanding the above, no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any RSU or any property held by the RSU Trustee on trust for the Grantees, Awards, Shares underlying any Awards or any interest or benefits therein.

#### **16. *Vesting***

Subject to the terms of the 51 Stock Scheme and the specific terms and conditions applicable to each Award which may be determined at the sole and absolute discretion of the Committee, the RSUs granted to a Grantee in an Award shall be vested subject to a vesting schedule as set out in the 51 Stock Scheme and the satisfaction of performance and/or other conditions (if any) to be determined by the Committee in its absolute discretion. If such conditions are not satisfied, the RSU shall automatically lapse on the date on which such conditions are not satisfied, as determined by the Committee in its absolute discretion.

Upon fulfillment or waiver of the vesting schedule and vesting conditions applicable to a Grantee, a vesting notice will be sent to the Grantee by the Trustee under the authorization and instruction by the Committee confirming (a) the extent to which the vesting schedule and conditions have been fulfilled or waived, (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive, and (c) where the Grantee will receive Shares, the lock-up arrangements for such Shares (if applicable). The Grantee is required to (i) execute, after receiving the vesting notice, certain documents set out in the vesting notice that the Committee considers necessary (which may include, without limitation, a certification to the Group that he or she has complied with all the terms and conditions set out in this Scheme and the Notice of Grant); and (ii) pay a consideration to 51 Stock Limited for the Award that has vested and which consideration shall be determined at the sole and absolute discretion of the Committee. There is no consideration payable by a Grantee under the 51 Award Scheme.

Subject to the due execution of documents by the Grantee and payment of any payable consideration and upon which the Committee shall notify the Trustee of the same, the RSUs which have vested shall be satisfied within a reasonable period from the vesting date of such RSU, either by:

- (a) the Trustee transferring the Shares underlying the vested RSUs (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) from the Trust Fund to the Grantee, his wholly owned entity or any trust arrangement as directed by the Grantee whereby the Grantee is the sole beneficiary, provided that:-
  - (i) the Grantee, his wholly owned entity or any such trust arrangement as directed by the Grantee shall enter into an agreement in writing with Mr. Sun delegating the voting

rights attached to such Shares by proxy to Mr. Sun or his delegated entity(ies) unless and until Mr. Sun or his delegated entity(ies), and the parties acting in concert, are no longer controlling shareholder of the Company or until such time when the Shares are sold or transferred to a third party after the expiry of the one (1) year period from the Global Offering;

- (ii) before the Global Offering, the Grantee, his wholly owned entity or any such trust arrangement as directed by the Grantee shall not charge, mortgage, encumber or create any interest in favor of any other person over or in relation to such Shares;
  - (iii) before the Global Offering, if the Company introduces new investors or is acquired by a new controlling shareholder, the Grantee, his wholly owned entity or any such trust arrangement as directed by the Grantee may, subject to the approval of Mr. Sun, sell or transfer such Shares to (x) the Company; (y) the new controlling shareholder; or (z) the new investors on the condition that the Grantee shall procure such new investors to enter into an agreement in writing with Mr. Sun to act in concert with Mr. Sun, provided that the Company shall have a right of first refusal with respect to any or all of such Shares. In any given year, the number of Shares sold or transferred by all the Grantees under this sub-paragraph (ii) shall not exceed 20% of the total number of RSUs that are granted under the 51 Stock Scheme cumulatively;
  - (iv) before the Global Offering, if the Grantee has fully completed the vesting schedule such that all RSUs granted to him have vested, then upon the approval of Mr. Sun, the Grantee, his wholly owned entity or any such trust arrangement as directed by the Grantee may sell or transfer the Shares to Mr. Sun or his delegated entity(ies), other Grantees or the Company's existing Shareholders provided that the Grantee shall procure the purchaser or transferee of such Shares to enter into an agreement in writing with Mr. Sun to act in concert with Mr. Sun. In any event, the number of Shares sold or transferred by each Grantee under this sub-paragraph (iii) shall not exceed 50% of the total number of RSUs that are granted to him; and
  - (v) after the Global Offering, the Grantee, his wholly owned entity or any such trust arrangement as directed by the Grantee shall not sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to such Shares within one (1) year from the Global Offering; or
- (b) the Trustee paying to the Grantee in cash an amount which is equivalent to the value of the Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) set out in paragraph (a) above by making on-market sales of such Shares and after deduction or withholding of any tax, fees, levies, stamp duty and other charges applicable to the entitlement of the Grantee and the sales of any Shares;

or, any combination of (a) and (b) above.



Notwithstanding the foregoing, if the Company, the RSU Trustee or any Grantee would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable laws, regulations or rules within the period specified above, the date on which the relevant Shares shall be issued and allotted or transferred (as the case may be) to the Grantee shall occur as soon as possible after the date when such dealing is permitted by the Listing Rules or by any other applicable laws, regulations or rules.

The Committee shall have the sole and absolute discretion to determine whether or not a Grantee shall have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award prior to vesting of the Award.

**17. *Rights on a Takeover***

In the event a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any RSU, the Committee shall, prior to the offer becoming or being declared unconditional, determine at its absolute discretion whether such RSU shall vest and the period within which such RSU shall vest. If the Committee determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

**18. *Rights on a Scheme of Arrangement***

In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings prior to the vesting of any RSU, the Committee shall, prior to such meetings, determine at its absolute discretion whether such RSU shall vest and the period within such RSU shall vest. If the Committee determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

**19. *Rights on a Voluntary Winding-up***

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any RSU, the Committee shall determine at its discretion whether such RSU shall vest and the period when such RSU shall vest. If the Committee determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

**20. *Rights on a Compromise or Arrangement***

In the event a compromise or arrangement, other than a scheme of arrangement contemplated above, between the Company and its Shareholders and/or creditors is proposed in connection with a



scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Committee shall determine at its discretion whether such RSU shall vest and the period when such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

**21. *Lapse of RSU***

The unvested RSUs shall automatically lapse upon the earliest of:

- (i) the date of termination of the Grantee's employment or service by any member of the Group; or
- (ii) the date on which the offer (or, as the case may be, revised offer) referred to in paragraph 17 closes; or
- (iii) the record date for determining entitlements under the scheme of arrangement referred to in paragraph 18; or
- (iv) the date of commencement of a winding-up of the Company; or
- (v) the date on which the Grantee commits a breach of paragraph 15; or
- (vi) the date on which it is no longer possible to satisfy any outstanding conditions to vesting; or
- (vii) the time when the Committee has decided that the unvested RSUs shall not be vested in the Grantee in accordance with the rules of the RSU Schemes and the terms and conditions as set out in the Notice of Grant.

The Committee shall have the right to determine what constitutes cause, whether the Grantee's employment has been terminated for cause and the effective date of such termination, and such determination by the Board shall be final and conclusive.

If the Grantee's employment or service with the Company or any of the Company's subsidiaries is terminated for any reason other than for cause (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for cause), the Board shall determine at its absolute discretion and shall notify the Grantee whether any unvested RSU granted to such Grantee shall vest and the period within which such RSU shall vest. If the Board determines that such RSU shall not vest, such RSU shall automatically lapse with effect from the date on which the Grantee's employment or service is terminated.

Where any unvested RSUs of a Grantee lapse in accordance with the rules of the RSU Schemes, the Board shall direct the RSU Trustee to refund to the Grantee the consideration in correspondence to such unvested RSUs paid by the Grantee pursuant to paragraph 8 and the terms and conditions as

set out in the Notice of Grant. To the extent that the trust fund does not have sufficient cash to pay and settle such refund, the RSU Trustee shall notify the Company of such shortfall and the Company shall pay to the RSU Trustee the shortfall amount within 30 business days upon its receipt of such notice from the RSU Trustee.

Notwithstanding the aforesaid, in each case, the Board may in its absolute discretion decide that any RSU shall not lapse or shall be subject to such conditions or limitations as the Board may decide.

**22. *Reorganization of Capital Structure***

In the event of any alteration in the capital structure of the Company, such as capitalization issue, rights issue, consolidation, sub-division and reduction of the share capital of the Company, the Board may make equitable adjustments that it considers appropriate, at its sole discretion, including:

- (i) make arrangements for the grant of substitute RSUs of equivalent fair value to an Award in the purchasing or surviving company;
- (ii) reach such accommodation with the Grantee as it considers appropriate, including the payment of cash compensation to the Grantee equivalent to the fair value of any RSU to the extent not vested;
- (iii) waive any conditions to the vesting of any RSU not already vested; or
- (iv) permit the continuation of an Award in accordance with its original terms.

**23. *Amendment of the 51 Stock Scheme***

The terms of the 51 Stock Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any Grantee thereunder. Any alteration, amendment or waiver to the 51 Stock Scheme of a material nature shall be approved by the Board. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

**24. *Termination of the 51 Stock Scheme***

The 51 Stock Scheme may be terminated at any time prior to the expiry of its term by the Board provided that such termination shall not affect any subsisting rights of any Grantee hereunder. For the avoidance of doubt, no further Awards shall be granted after the 51 Stock Scheme is terminated but in all other respects the provisions of the 51 Stock Scheme shall remain in full force and effect. All RSUs granted prior to such termination and not vested on the date of termination shall remain valid. In such event, the Board shall notify the RSU Trustee and all Grantees of such termination and how the Shares held by the RSU Trustee and other interests or benefits in relation to the outstanding RSUs shall be dealt with, provided that Shares held by the RSU Trustee shall not be transferred to the Company and the Company shall not otherwise hold any Shares or any interest in Shares whatsoever (other than interest in the proceeds of sale of such Shares).

## 25. *General*

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares underlying any Awards which may be granted pursuant to the RSU Schemes. As of the Latest Practicable Date, no shares have been granted or agreed to be granted by our Company pursuant to the RSU Schemes.

The Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the RSU Schemes, including the date of grant, number of Shares involved, the vesting period and comply with Chapter 14A of the Listing Rules. Details of the RSU Schemes, including particulars and movements of the RSUs granted during each financial year of our Company, and our employee costs arising from the grant of the RSUs will be disclosed in our annual report.

## 2. **51 Award Scheme**

### **Summary of Terms**

Our Company has adopted the 51 Award Scheme by a resolution of our Board on November 20, 2017. The 51 Award Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Schemes do not involve the grant of options by our Company to subscribe for new Shares.

### 1. *Purposes of the 51 Award Scheme*

The purpose of the 51 Award Scheme is to recognize and reward RSU Participants (as defined below) for their contribution to the Group, to attract suitable personnel, and to provide incentives to them to remain with and further contribute to the Group.

### 2. *Awards*

An award of RSUs under the 51 Award Scheme (“**Award(s)**”) gives a Participant an entitlement upon vesting of the Award to obtain an equivalent value in cash with reference to the value of the Shares on or about the date of vesting as the case may be, as determined by the committee duly authorized by the Board to administer the 51 Award Scheme (the “**Committee**”) in its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges. An award may include, if so specified by the Committee in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

### 3. *51 Award Scheme Limit*

Unless otherwise duly approved by the Shareholders, the total number of Shares underlying the 51 Award Scheme shall not exceed 102,060,261 Shares (excluding Shares underlying RSUs that have lapsed or been cancelled in accordance with the 51 Award Scheme). Our Company will not further issue new Shares for the purpose of the 51 Award Scheme.

#### 4. *RSU Participants in the 51 Award Scheme*

Participants of the 51 Award Scheme (“**RSU Participants**”) include the following:

- (i) any employees of the Group; or
- (ii) any person who, in the sole opinion of the Committee, has contributed or will contribute to any member of the Group (including business partners of any member of the Group, such as suppliers, customers or any persons who provide technical support, consultancy, advisory or other services to any member of the Group), as may be specifically identified by the Committee.

#### 5. *Term of the 51 Award Scheme*

Subject to any early termination as may be determined by the Board pursuant to the termination clause of the 51 Award Scheme, the 51 Award Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption, after which no Awards will be granted, but the provisions of the 51 Award Scheme shall in all other respects remain in full force and effect and the Awards granted during the term of the 51 Award Scheme may continue to be valid and exercisable in accordance with their terms of grant.

#### 6. *Administration of the 51 Award Scheme*

The 51 Award Scheme shall be subject to the interpretation and administration of the Board. The Board shall have the sole and absolute right to (i) interpret and construe the provisions of the 51 Award Scheme, (ii) determine the persons who will be granted Awards under the 51 Award Scheme, the terms and conditions on which Awards are granted and when the RSUs granted pursuant to the 51 Award Scheme may vest, (iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the 51 Award Scheme as it deems necessary and (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the 51 Award Scheme. The Board may delegate its powers in the administration of the RSU Schemes to the Committee unless otherwise stated in the 51 Award Scheme. All the decisions, determinations and interpretations made by the Board or its Committee shall be final, conclusive and binding on all parties.

#### 7. *Appointment of RSU Trustee*

The Company has appointed Vistra Trust Fiduciary (Hong Kong) Limited, a trustee service provider and an Independent Third Party, to administer the granting and vesting of RSUs granted to the grantees pursuant to the 51 Award Scheme.

#### 8. *Grant of RSU*

On and subject to the terms of the 51 Award Scheme and the terms and conditions that the Committee imposes, the Committee shall be entitled at any time during the term of the RSU Schemes to make an offer of the grant of an Award in accordance with the 51 Award Scheme (a “**Grant**”) to any Participant, as the Board may in its absolute discretion determine.

The amount of an Award may be determined at the sole and absolute discretion of the Committee and may differ among selected RSU Participants.

Awards may be granted on such terms and conditions as the Committee may determine, provided that such terms and conditions shall be consistent with any other terms and conditions of the RSU Schemes.

The consideration payable by a selected Participant to 51 Award Limited for acceptance of an Award under the 51 Award Scheme shall be the pre-determined price for the shares such RSU participant is entitled to as determined by the Committee.

The Committee may direct the RSU Trustee to procure 51 Award Limited to remit the consideration received by it to such entity as may be nominated by the Committee from time to time.

After the Committee has selected the RSU Participants, it will inform the RSU Trustee of the name(s) of the person(s) selected, the number of Shares underlying the RSUs to be granted to each of them, the vesting schedule, the lock-up arrangements upon vesting (as applicable where the RSUs shall vest immediately upon acceptance of the Grant as determined by the Committee) and other terms and conditions (if any) that the Award is subject to as determined by the Committee.

Subject to limitations and conditions of the 51 Award Scheme, the Committee may by written notification grant to each of the RSU Participants an offer of grant of Award by way of a letter or any such notice or document in such form as the Committee may from time to time determine (“**Notice of Grant**”), which shall attach an acceptance notice (“**Acceptance Notice**”), subject to conditions as the Committee thinks fit.

#### **9. *Acceptance of Award***

If any Participant intends to accept the Grant as specified in the Notice of Grant, he is required to sign the Acceptance Notice, and return it to the Committee within the time period and in a manner prescribed in the Notice of Grant. Upon the receipt from the selected Participant of a duly executed Acceptance Notice and full payment of any payable consideration, the RSUs shall be granted to such Participant in respect of a Board Lot or an integral multiple thereof, and such Participant shall become a Grantee pursuant to the 51 Award Scheme. To the extent that the Grant is not accepted by any Participant within the time period or in a manner prescribed in the Notice of Grant, it shall be deemed that such Grant has been irrevocably declined and thus the RSUs have immediately lapsed.

#### **10. *Restrictions on Grants***

No Grant shall be made to, nor shall any Grant be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or law.

Upon completion of the Global Offering, a Grant must not be made after inside information has come to the knowledge of the Company until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (i) the date of the meeting of the Board (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 Company to publish an announcement of 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), and ending on the date of the results announcement,

no Award may be granted. Such period will cover any period of delay in the publication of a results announcement.

The Committee may not grant any Awards to any RSU Participants in any of the following circumstances:

- (i) the requisite approvals for that Grant from any applicable regulatory authorities have not been obtained; or
- (ii) the securities laws or regulations require that a prospectus or other offering document(s) be issued in respect of the Grant or the 51 Award Scheme, unless the Committee determines otherwise;
- (iii) where the Grant would result in a breach of any applicable securities laws, rules or regulations by any member of the Group or any of its directors; or
- (iv) the Grant would result in breach of the RSU Limit or other rules of the 51 Award Scheme.

#### **11. *Grant to Directors***

Upon completion of the Global Offering, where any Award is proposed to be granted to a Director, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

- (a) 60 days immediately preceding the publication date of the annual results, or if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results, or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

**12. *Grant to Connected Persons***

Upon completion of the Global Offering, any Grant to any Director, chief executive officer or substantial shareholder of the Company, or any of their respective associates (as defined under the Listing Rules), shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules.

Notwithstanding the foregoing, any grant of an Award to a Director pursuant to Rule 14A.95 of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant Director's remuneration under his service contract.

**13. *Rights attached to Awards***

The RSUs do not carry any right to vote at general meetings of the Company. No Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an Award pursuant to the RSU Schemes. Unless otherwise specified by the Committee in its entire discretion in the Notice of Grant, the Grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award.

**14. *Awards to be Personal to the Grantee***

Any Award granted pursuant to the 51 Award Scheme shall be personal to the Grantee and shall not be assignable or transferable, except that following the Grantee's death, the RSUs may be transferred by will or by the laws of testacy and distribution. The terms of the RSU Schemes and the Notice of Grant shall be binding upon the executors, administrators, heirs, successors and assigns of the Grantee.

Notwithstanding the above, no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any RSU or any property held by the RSU Trustee on trust for the Grantees, Awards, Shares underlying any Awards or any interest or benefits therein.

**15. *Vesting***

Subject to the terms of the RSU Schemes and the specific terms and conditions applicable to each Award which may be determined at the sole and absolute discretion of the Committee, the RSUs granted to a Grantee in an Award shall be vested subject to a vesting schedule as set out in the RSU Schemes and the satisfaction of performance and/or other conditions (if any) to be determined by the Committee in its absolute discretion. If such conditions are not satisfied, the RSU shall automatically lapse on the date on which such conditions are not satisfied, as determined by the Committee in its absolute discretion.

Upon fulfillment or waiver of the vesting schedule and vesting conditions applicable to a Grantee, a vesting notice will be sent to the Grantee by the Trustee under the authorization and

instruction by the Committee confirming (a) the extent to which the vesting schedule and conditions have been fulfilled or waived, (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) underlying the RSUs that have vested and the entitlement that the Grantee will receive in correspondence to the Shares. The Grantee is required to (i) execute, after receiving the letter of appointment, certain documents set out in the letter of appointment that the Committee considers necessary (which may include, without limitation, a certification to the Group that he or she has complied with all the terms and conditions set out in this Scheme and the Notice of Grant). The entitlement means an amount in cash which is equivalent to the value of the Shares underlying the RSUs granted in an Award (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to be distributed by the Trustee to the beneficiary by making an on-market sale of such Shares and which amount shall be determined by the Trustee with reference to the market value of the Shares at the time of such sale, less (i) a pre-determined price as consideration for the Shares as determined by the Committee and as set out in the Notice of Grant, which in principle should be equal to 30% of the fair market value per Share of the Company at the time of grant of the Award unless otherwise determined by the Committee; and (ii) any tax, fees, levies, stamp duty and other charges applicable to the Entitlement and the sale of such Shares.

Subject to the due execution of documents by the Grantee, the Beneficiary shall be entitled at any time after the Global Offering of the Company during the term of the 51 Award Scheme to apply within a reasonable period of time to request the Trustee through the Committee to make an on-market sale of the Shares underlying the RSUs that have vested following which the Trustee shall make such sale and then distribute the entitlement to the beneficiary, provided that any such sale of Shares shall be made in accordance with a detailed implementation guideline in relation to the sale of Shares after the Global Offering of the Company to be formulated the Committee (and amended by the Committee from time to time).

Notwithstanding the foregoing, if the Company, the RSU Trustee or any Grantee would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable laws, regulations or rules within the period specified above, the date on which the relevant Shares shall be issued and allotted or transferred (as the case may be) to the Grantee shall occur as soon as possible after the date when such dealing is permitted by the Listing Rules or by any other applicable laws, regulations or rules.

The Committee shall have the sole and absolute discretion to determine whether or not a Grantee shall have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award prior to vesting of the Award.

#### **16. *Rights on a Takeover***

In the event a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any



RSU, the Committee shall, prior to the offer becoming or being declared unconditional, determine at its absolute discretion whether such RSU shall vest and the period within which such RSU shall vest. If the Committee determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

**17. *Rights on a Scheme of Arrangement***

In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings prior to the vesting of any RSU, the Committee shall, prior to such meetings, determine at its absolute discretion whether such RSU shall vest and the period within such RSU shall vest. If the Committee determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

**18. *Rights on a Voluntary Winding-up***

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any RSU, the Committee shall determine at its discretion whether such RSU shall vest and the period when such RSU shall vest. If the Committee determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

**19. *Rights on a Compromise or Arrangement***

In the event a compromise or arrangement, other than a scheme of arrangement contemplated above, between the Company and its Shareholders and/or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Committee shall determine at its discretion whether such RSU shall vest and the period when such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

**20. *Lapse of RSU***

The unvested RSUs shall automatically lapse upon the earliest of:

- (i) the date of termination of the Grantee's employment or service by any member of the Group; or
- (ii) the date on which the offer (or, as the case may be, revised offer) referred to in paragraph 17 closes; or
- (iii) the record date for determining entitlements under the scheme of arrangement referred to in paragraph 18; or
- (iv) the date of commencement of a winding-up of the Company; or

- (v) the date on which the Grantee commits a breach of paragraph 15; or
- (vi) the date on which it is no longer possible to satisfy any outstanding conditions to vesting; or
- (vii) the time when the Committee has decided that the unvested RSUs shall not be vested in the Grantee in accordance with the rules of the RSU Schemes and the terms and conditions as set out in the Notice of Grant.

The Committee shall have the right to determine what constitutes cause, whether the Grantee's employment has been terminated for cause and the effective date of such termination, and such determination by the Board shall be final and conclusive.

If the Grantee's employment or service with the Company or any of the Company's subsidiaries is terminated for any reason other than for cause (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for cause), the Board shall determine at its absolute discretion and shall notify the Grantee whether any unvested RSU granted to such Grantee shall vest and the period within which such RSU shall vest. If the Board determines that such RSU shall not vest, such RSU shall automatically lapse with effect from the date on which the Grantee's employment or service is terminated.

Where any unvested RSUs of a Grantee lapse in accordance with the rules of the RSU Schemes, the Board shall direct the RSU Trustee to refund to the Grantee the consideration in correspondence to such unvested RSUs paid by the Grantee pursuant to paragraph 8 and the terms and conditions as set out in the Notice of Grant. To the extent that the trust fund does not have sufficient cash to pay and settle such refund, the RSU Trustee shall notify the Company of such shortfall and the Company shall pay to the RSU Trustee the shortfall amount within 30 business days upon its receipt of such notice from the RSU Trustee.

Notwithstanding the aforesaid, in each case, the Board may in its absolute discretion decide that any RSU shall not lapse or shall be subject to such conditions or limitations as the Board may decide.

#### **21. *Reorganization of Capital Structure***

In the event of any alteration in the capital structure of the Company, such as capitalization issue, rights issue, consolidation, sub-division and reduction of the share capital of the Company, the Board may make equitable adjustments that it considers appropriate, at its sole discretion, including:

- (i) make arrangements for the grant of substitute RSUs of equivalent fair value to an Award in the purchasing or surviving company;
- (ii) reach such accommodation with the Grantee as it considers appropriate, including the payment of cash compensation to the Grantee equivalent to the fair value of any RSU to the extent not vested;
- (iii) waive any conditions to the vesting of any RSU not already vested; or

- (iv) permit the continuation of an Award in accordance with its original terms.

**22. *Amendment of the 51 Award Scheme***

The terms of the 51 Award Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any Grantee thereunder. Any alteration, amendment or waiver to the 51 Award Scheme of a material nature shall be approved by the Board. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

**23. *Termination of the 51 Award Scheme***

The 51 Award Scheme may be terminated at any time prior to the expiry of its term by the Board provided that such termination shall not affect any subsisting rights of any Grantee hereunder. For the avoidance of doubt, no further Awards shall be granted after the 51 Award Scheme is terminated but in all other respects the provisions of the 51 Award Scheme shall remain in full force and effect. All RSUs granted prior to such termination and not vested on the date of termination shall remain valid. In such event, the Board shall notify the RSU Trustee and all Grantees of such termination and how the Shares held by the RSU Trustee and other interests or benefits in relation to the outstanding RSUs shall be dealt with, provided that Shares held by the RSU Trustee shall not be transferred to the Company and the Company shall not otherwise hold any Shares or any interest in Shares whatsoever (other than interest in the proceeds of sale of such Shares).

**24. *General***

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares underlying any Awards which may be granted pursuant to the RSU Schemes. As of the Latest Practicable Date, no shares have been granted or agreed to be granted by our Company pursuant to the 51 Award Scheme.

The Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the 51 Award Scheme, including the date of grant, number of Shares involved, the vesting period and comply with Chapter 14A of the Listing Rules. Details of the 51 Award Scheme, including particulars and movements of the RSUs granted during each financial year of our Company, and our employee costs arising from the grant of the RSUs will be disclosed in our annual report.

**E. OTHER INFORMATION**

**1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

**2. Litigation**

As at the Latest Practicable Date, save as disclosed in this prospectus, our Company is not involved in any litigation, arbitration, administrative proceedings or claims of material importance

which could have a material adverse effect on our financial condition or results of operations, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance is pending or threatened against us.

### **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 to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and conversion of the Preferred Shares and Class B Ordinary Shares upon completion of the Global Offering. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

China Merchants Securities (HK) Co., Limited, being one of the Joint Sponsors, is not an independent sponsor under Rule 3A.07 of the Listing Rules considering: (1) China Merchants Securities Asset Management Co., Ltd., a directly wholly-owned subsidiary of China Merchants Securities Co., Ltd., the parent company of China Merchants Securities (HK) Co., Limited, holds 68.09% limited partnership interests in Hangzhou Shangniu Investment Management Partnership (Limited Partnership), which is an insignificant subsidiary of the Company (The Group is considered to substantially control Hangzhou Shangniu Investment Management Partnership because (i) the Group has entered into a repurchase agreement with the other two limited partners that the Group will repurchase all the partnership interests held by them in four years with the interest rate at approximately 8% per annum so that the capital injections of the other two limited partners were classified as liabilities, (ii) besides, the general partner of Hangzhou Shangniu Investment Management Partnership is the wholly owned subsidiary of the Group and (iii) the majority variable return of Hangzhou Shangniu Investment Management Partnership goes to the Group as the other two limited partners only have the fixed return and the rights belonging to the other two limited partners were more in protective nature); (2) China Merchants Securities Asset Management Co., Ltd. entered into an agreement with Hangzhou Enniu in relation to the provision of a RMB320 million loan for the acquisition of equity interests in Yaku Shikong, as disclosed in the section headed “Relationship with Our Controlling Shareholders”; and (3) Mr. Wong Ti, an independent non-executive Director of the Company, also served as an independent non-executive director of China Merchants Securities Co., Ltd. since January 2018.

Citigroup Global Markets Asia Limited is an independent sponsor under Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate sponsor fee of US\$1 million.

### **4. Preliminary Expenses**

We have not incurred any material preliminary expense.

## 5. Qualification of Experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

| Name                                                   | Qualification                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Citigroup Global Markets Asia Limited. . . . .         | A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO |
| China Merchants Securities (HK) Co., Limited . . . . . | A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO                                                             |
| PricewaterhouseCoopers . . . . .                       | Certified Public Accountants                                                                                                                                                                                                                                                                                  |
| Maples and Calder (Hong Kong) LLP . . . . .            | Cayman Islands attorneys-at-law                                                                                                                                                                                                                                                                               |
| Beijing Dacheng Law Offices, LLP . . . . .             | Qualified PRC lawyers                                                                                                                                                                                                                                                                                         |
| Oliver Wyman Consulting (Shanghai) Ltd . . . . .       | Industry consultant                                                                                                                                                                                                                                                                                           |

## 6. Consents of Experts

Each of the experts referred to in the paragraph headed “*Qualification of Experts*” in this appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their certificates and/or letters and/or reports and/or opinions and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in our 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 our Company or any of our subsidiaries.

## 7. Compliance Advisor

Our Company has appointed Guotai Junan Capital Limited to act as our compliance advisor upon Listing in compliance with Rule 3A.19 of the Listing Rules.

**8. Taxation of Holders of Shares****(a) *Hong Kong***

The sale, purchase and transfer of shares registered with our Hong Kong register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the value of the shares being sold or transferred. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

**(b) *Cayman Islands***

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of shares in the Company.

**(c) *People's Republic of China***

We may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. In that case, distributions to our shareholders may be subject to PRC withholding tax and gains from dispositions of our shares may be subject to PRC tax. Please refer to the section headed “*Risk Factors—Risks Relating to Doing Business in China—Dividends paid to our foreign investors and gains on the sale of our shares by our foreign investors may become subject to PRC tax*” of this prospectus.

**(d) *Consultation with professional advisors***

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of our Company, our Directors or the other parties involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

**9. No Material Adverse Change**

Except as disclosed in “*Summary—Recent Developments*” and “*Financial Information—No Material Adverse Change*”, our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that, as of the date of this prospectus, there has been no other material adverse change in our financial position or prospects since December 31, 2016 and there has been no other event since December 31, 2016 which would have material adverse effect on the information presented in the Accountant’s Report in Appendix I to this prospectus.

**10. Binding Effect**

This prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**11. Miscellaneous**

Save as disclosed in this prospectus:

- (a) within the two years preceding the date of this Prospectus: (i) our Company or any of our subsidiaries has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any capital of our Group;
- (b) no share or loan capital of our Group is under option or is agreed conditionally or unconditionally to be put under option;
- (c) our Company or any of our subsidiaries has not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) there are no arrangements under which future dividends are waived or agreed to be waived;
- (e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;
- (f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;
- (g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;
- (h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;
- (i) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;
- (j) our Company has no outstanding convertible debt securities or debentures; and
- (k) the Hong Kong register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

Our Company has adopted a code of conduct regarding Directors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules with effect from the Listing Date.

#### **12. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

#### **13. Promoters**

No cash, security or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.



**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “*Other Information—Consents of Experts*” in “*Appendix IV—Statutory and General Information*” to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “*Further Information about Our Business—Summary of Material Contracts*” in “*Appendix IV—Statutory and General Information*” to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the accountant’s report from PricewaterhouseCoopers in relation to historical financial information, the text of which is set out in “*Appendix I—Accountant’s Report*” to this prospectus;
- (c) the audited financial statements of the Group for the three years ended December 31, 2017;
- (d) the report from PricewaterhouseCoopers in relation to unaudited pro forma financial information, the text of which is set out in “*Appendix II—Unaudited Pro Forma Financial Information*” to this prospectus;
- (e) the material contracts referred to in the section entitled “*Further Information about Our Business—Summary of Material Contracts*” in “*Appendix IV—Statutory and General Information*” to this prospectus;
- (f) the service contracts with Directors referred to in the section headed “*Further Information about Our Directors, Staff, Management and Substantial Shareholders—Service Contracts*” in “*Appendix IV—Statutory and General Information*” to this prospectus;
- (g) the written consents referred to in the section headed “*Other Information—Consents of Experts*” in “*Appendix IV—Statutory and General Information*” to this prospectus;

- (h) the legal opinions issued by Beijing Dacheng Law Offices, LLP, our legal advisor as to PRC law, in respect of the general matters and property interests of our Group and in respect of certain aspects of PRC law referred to in the section headed “Contractual Arrangements”;
- (i) the letter of advice issued by Maples and Calder (Hong Kong) LLP, our legal advisor as to Cayman Islands law, in respect of certain aspects of Cayman Islands law referred to in Appendix III of this prospectus;
- (j) the report issued by Oliver Wyman, the summary of which is set forth in the section headed “*Industry Overview*” in this prospectus;
- (k) the terms of the RSU Schemes; and
- (l) the Companies Law.

*51 CREDIT CARD INC.*