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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.”

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We primarily operate in China’s emerging online consumer finance market, which has been evolving rapidly and, as a result, it is difficult to evaluate our future prospects.

We primarily operate in China’s online consumer finance market, which is new and highly dynamic. The growth prospects of this industry are subject to uncertainties and it may not grow as quickly as we anticipate, or at all. There are few established participants in this industry, and the business models of the market players continue evolving. Prospective borrowers and funding partners may have difficulty in distinguishing our products and services from those of our competitors. As the market, the regulatory environment and our business develop, we may continue to adjust our business model or change our product and service offerings. If we fail to keep up with the evolvement of China’s online consumer finance market, our results of operations and prospects could be adversely affected.

In addition, adjustments to our business that we may be required to make in response to the market or regulatory changes may adversely affect our prospects and results of operations. Recently, China has tightened its regulation of the consumer finance market. For a discussion of the risks relating to China’s tightened regulation, see “—China’s consumer finance market has recently experienced tighter regulation and may continue to be subject to heightened regulatory scrutiny. We may be required to make significant changes to our operations from time to time in order to comply with the changes in laws, regulations and policies.” Following these recent regulatory changes, we observed behavioral changes in certain borrowers in our targeted segment in response to a perceived decrease in credit supply for these borrowers following the issuance of Circular 141, which we believe resulted in more volatility in our asset quality indicators in December 2017. Based on these observations and to maintain the quality of our new loans, we adjusted our business strategies to focus more on borrowers with better credit profiles by adjusting the risk assessment parameters in our *Hummingbird* system. Through these efforts, we proactively scaled back the number of loans we originated on a temporary basis from December 2017 through January 2018. As a result, although our monthly loan origination volume decreased significantly from December 2017 through January 2018 in comparison with the preceding months, our asset quality stabilized in January and February 2018. We cannot assure you that we will always be able to execute our business adjustments without any significant impact on our results of operations and business prospects.

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You should consider our business and prospects in light of the risks and challenges we encounter or may encounter in this new and rapidly evolving industry. These risks and challenges include our ability to, among other things:

- respond to changes in the regulatory environment in China;
- maintain or enhance the competitive edge of our “credit-plus-alternative” data approach;
- expand our borrower base, expand and diversify our funding sources, or increase our loan origination volume;
- offer attractively priced credit products to our borrowers while ensuring growth and profitability of our business;
- innovate and broaden our product and service offerings;
- maintain and enhance our mutually beneficial collaboration with our business partners;
- improve operational efficiency;
- successfully compete with other companies, some of which have substantially greater resources, market power and presence than us;
- maintain the security of our system and the confidentiality of the information received by, and utilized across, our system;
- attract, retain and motivate talented employees;
- defend ourselves in litigation, such as regulatory, intellectual property rights infringement, privacy or other claims; and
- navigate economic condition and fluctuation.

China’s consumer finance market has recently experienced tightened regulation and may continue to be subject to heightened regulatory scrutiny. We may be required to make significant changes to our operations from time to time in order to comply with the changes in laws, regulations and policies.

Due to the rapid rise of China’s consumer finance market, the PRC government continues to promulgate new rules and regulations for this market and the regulatory framework relating to the provision of consumer finance services is also evolving and uncertain. We primarily operate in the online consumer finance market and our business may be subject to a variety of laws and regulations in China that affect financial services, including consumer finance, small loan lending, online lending, financing guarantee and loan facilitation, and the application and interpretation of these laws and regulations are uncertain and vary between different local government authorities.

The PRC government did not introduce specific regulations for the online consumer finance market until 2015. In July 2015, China’s central bank, the PBOC, and nine other PRC regulatory authorities jointly issued the Guidelines on 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 Internet Finance Guidelines. The Internet Finance Guidelines formally introduced the regulatory framework and core principles for administering online lending services in China. Based on the core principles of the Internet Finance Guidelines, in August 2016, the CBRC, and three other PRC regulatory authorities jointly issued the Interim Measures on Administration of Business Activities 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 P2P Interim Measures, for

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regulating the business activities carried out by peer-to-peer online lending service platforms, or P2P platforms. According to the P2P Interim Measures and relevant interpretations by the CBRC, “online lending” as specified in the P2P Interim Measures refers to direct lending between peers, which is widely known as P2P online lending, and is a form of private lending transaction. Loans funded by financial institutions that are licensed by financial regulatory authorities are not private lending transactions, according to the Private Lending Judicial Interpretation issued by the PRC Supreme People’s Court in August 2015. As advised by our PRC Legal Advisor, since we facilitate transactions that are directly funded by us or through our licensed funding partners acting as lenders, our business should fall into the category of “banking financial institutions conducting the lending business in cooperation with a third party,” where we are the “third party,” instead of a P2P platform, as defined under Circular 141. Therefore, we do not consider ourselves a P2P platform. However, we cannot assure you that the CBRC or other PRC governmental authorities would not apply the P2P Interim Measures to us or consider us a P2P platform in enforcement actions.

According to two circulars promulgated in April 2016, namely the Circular of the General Office of the PRC State Council on Issuing the Implementing Proposals for the Special Rectification of Internet Financial Risks (《國務院辦公廳關於印發互聯網金融風險專項整治工作實施方案的通知》) and Circular on Issuing the Implementing Proposals for the Special Rectification of P2P online Financial Risks (《關於印發<P2P網絡借貸風險專項整治工作實施方案>的通知》), two special task forces at the central-government level, namely the Office of Online Finance Risk Special Rectification Leading Working Group, or the Online Finance Working Group, and the Office of P2P Online Lending Risk Special Rectification Leading Working Group, or the P2P Online Lending Working Group, were established to align the PBOC, the CBRC, and other relevant PRC government authorities regulating the business operations of online finance companies and P2P platforms. On December 1, 2017, the Online Finance Working Group and the P2P Online Lending Working Group jointly issued the Notice on Regulation and Rectification of “Cash Loan” Businesses (《關於規範整頓“現金貸”業務的通知》), or Circular 141. Circular 141 sets out the principles and new requirements for the conduct of “cash loan” businesses by small loan companies, P2P platforms and banking financial institutions. Circular 141 does not clearly define “cash loans,” but it indicates that cash loans that are subject to regulation and rectification have certain features, such as lack of (i) specific user cases (which, as we understand the term, refers to scenarios in which a user interacts with a product or service for a specific motivation), (ii) specified uses of loan proceeds, (iii) selected customer base, or (iv) collateral. Circular 141 requires that, among other things, each funding provider of cash loans must have an appropriate license to conduct lending business. In addition, all participants in the cash loan business must fairly price the loans and ensure that the total borrowing cost, does not exceed the upper limit of the private lending interest rate provided by the PRC Supreme People’s Court. In addition, Circular 141 further stipulates that a financial institution that offers cash loans through loan facilitation is prohibited from (i) accepting credit enhancement or other similar services from third parties that lack requisite licenses to provide guarantees; (ii) outsourcing credit assessment, risk control and other key functions to a loan facilitation operator; or (iii) allowing the loan facilitation operator to charge any fees from the borrower. For a discussion of Circular 141, see the section headed “Regulations—Regulations Relating to Online Lending.”

We offer credit products primarily by facilitating transactions between borrowers and financial institutions, and we also directly lend to borrowers primarily through our online small loan companies. For a summary of our compliance status with respect to Circular 141, see the section headed “Business—Legal Proceedings and Compliance—Compliance with Circular 141.” While we believe we currently are in compliance with existing PRC regulations, including Circular 141, in all material

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aspects, we cannot assure you that the PRC government authorities would agree with our interpretation of the relevant regulations or that they will not promulgate new rules that would require further adjustments to our business. For instance, Circular 141 does not specifically set out the calculation method of the “total borrowing cost,” which must not exceed the upper limit of the private lending interest rate provided by the PRC Supreme People’s Court. As of December 31, 2017, the Nominal APRs of all of our outstanding loans to customers were less than the current upper limit of private lending interest rates. Since February 2018, we are no longer originating new loans at Effective APRs higher than the current upper limit of private lending interest rates. We calculate Effective APR using our own method, which is based on the aggregate of interest and other related borrowing charges on a loan borne by a borrower, on a cash flow basis using adjustments to annualize amounts. We cannot assure you that PRC government authorities, including the judicial department, will agree with our interpretation and calculate the total borrowing cost according to the method we use.

In addition, our Effective APRs for certain outstanding loans that we originated prior to February 2018, when calculated using what we believe is the most conservative method, are higher than the current upper limit of private lending interest rates, and as of December 31, 2017, approximately RMB8.70 billion of our loans to customers and approximately 64.6% of the total balance of outstanding loans that we originated had Effective APRs higher than the current upper limit of private lending interest rates. For the years ended December 31, 2015, 2016, and 2017, our weighted average Effective APRs were 41.0%, 38.0%, and 39.6%, respectively. Excluding those of our credit products that we discontinued, as of December 31, 2017, approximately 47.4% of the total balance of outstanding loans that we originated had Effective APRs higher than the current upper limit of private lending interest rates. Furthermore, a small portion of the new loans facilitated by us after the issuance of Circular 141 under our existing cooperation agreements with our funding partners that were executed prior to the issuance of Circular 141 are not fully compliant with Circular 141 in certain aspects. These aspects, primarily set forth in those existing cooperation agreements, include that (i) some of our PRC subsidiaries without the relevant financing guarantee license provide guarantees or other credit enhancement services to some of our funding partners; (ii) we provide some of our funding partners with credit risk assessment services that serve as their final risk control measures regarding the credit risks of the borrowers; and (iii) we directly charge borrowers service fees. With respect to our practices described above in this paragraph, based on confirmation from relevant PRC government authorities that Circular 141 has no retrospective effect on the loan facilitation business conducted prior to the issuance of Circular 141 and as advised by our PRC Legal Advisor, loans we originated prior to the issuance of Circular 141 or under our existing cooperation agreements executed prior to the issuance of Circular 141 are not subject to Circular 141. In addition, considering that the balance of outstanding principal of loans originated after the issuance of Circular 141 under our existing cooperation agreements with our funding partners that were executed prior to the issuance of Circular 141 is capped by the aggregate credit limit under these agreements, as advised by our PRC Legal Advisor, the risks of us being penalized in respect of the new loans originated in the transitional period immediately after the issuance of Circular 141 are remote. However, we cannot rule out the possibility that the government authorities would still consider our business practices described above to be in violation of Circular 141. To the extent that any aspect of our products or services is deemed to be non-compliant with any requirements of the relevant PRC laws and regulations, we may need to further adjust our current practices within a limited time period, which may cause our loan origination volume and total interest income to decrease and, as a result, our business operations may be negatively impacted.

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It is uncertain how the Internet Finance Guidelines, the P2P Interim Measures and Circular 141 will be interpreted and implemented. These regulations may be interpreted or enforced in ways that are different from our understanding and expectations. Moreover, the PRC government may seek to enhance the regulatory scrutiny of our industry and promulgate new laws and regulations along with the growing popularity of consumer finance. To the extent that any new laws and regulations or any interpretations of existing laws and regulations restrict our ability to continue and expand our current operations, cause any aspects of our current operations to become non-compliant, or impose material compliance costs on us, our business and results of operations may be materially and adversely affected.

If our credit risk management system becomes ineffective in controlling our credit risk exposure, or if we fail to continuously enhance our credit risk management system or its underlying technology at a competitive pace, the level of our delinquency ratios may deteriorate and our market position, reputation, and results of operations may be materially and adversely affected.

Our business operations depend on our comprehensive credit risk management system, which in turn relies on our credit assessment and approval procedures, which largely consists of four steps: (i) preliminary screening of loan applicants to verify their identities, (ii) due diligence of loan applicants for fraud detection and prevention, (iii) review of due diligence findings and other information about the borrowers and quantification of credit risk exposure through the applicable scorecards, and (iv) reaching credit decisions primarily based on the scorecard output. These and other risk management procedures are executed primarily by our proprietary core risk management system, *Hummingbird*. For example, *Hummingbird* conducts credit risk assessment by aggregating and processing credit data and alternative data, deducing effective variables for modeling, performing feature engineering, and rendering credit decisions based on multi-dimensional scorecards. The credit risk management system and its underlying technology are developed through joint efforts of our experienced credit risk management team and our data analytics specialists. For a discussion of our credit risk management system, see the section headed “Risk Management—Credit Risk Management.” For a discussion of our *Hummingbird* system, see the section headed “Business—Proprietary Technology—Hummingbird.” We cannot assure you that our credit risk management system will continue to be effective without interruption. If our credit risk management system becomes ineffective in controlling our credit risk exposure, or if we fail to continuously enhance our credit risk management system or its underlying technology at a competitive pace, our risk-based pricing capabilities could be negatively affected, which may result in incorrect approvals or denials of loans or mis-pricing of our credit products. If we are unable to assess the credit profile of a borrower or price credit products appropriately, we may fail to maintain satisfactory delinquency ratios. If we are unable to maintain low delinquency ratios for loans originated by us, our business and results of operation may be materially and adversely affected. Moreover, if our risk-based pricing capabilities are impaired, we may not be able to offer attractively priced credit products to our borrowers. As a result, our loan origination volume may be reduced and our business and operating results may be materially and adversely affected.

In addition, to maintain our competitiveness in the market, we devote significant resources to improving our credit risk management system in response to the expanding user data, changing user demands and evolving market. If we fail to continuously improve the effectiveness of our credit risk management system at a competitive pace, or if we fail to keep up with the rapid development of technology and its application in the online consumer finance market, we may lose our competitive

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advantage and market share, and our reputation, results of operations and financial condition may be materially and adversely affected.

Our risk management and internal control systems may not fully and effectively protect us against various risks inherent in our business.

We have established risk management and internal control systems consisting of organizational framework, policies, procedures and risk management methods that we consider appropriate for our business operations. For a discussion of our risk management and internal control systems, see the section headed “Risk Management.” While we continue to improve and reinforce our risk management and internal control systems over time, we cannot assure you that such systems will be able to identify, manage or protect us against all risks. Our risk management and internal control methods are generally based on analysis of historical situations and the assumption that risks in the future will share similar characteristics with those in the past. This assumption may not always be valid given the rapid development of China’s online consumer finance market and the change of borrowers’ demand. The risks could be greater than what our empirical information suggests or may not be reflected in such information at all.

Our operations and our industry requires interactions with government officials in our ordinary course of business. We have recently established policies and procedures in respect of our relations with government officials, employees of financial institutions and other business partners, policies and procedures on gifts and cash payments, our insistence on our employees adhering to relevant laws, regulations and our own code of conduct, and our maintenance of a corporate culture focused on ethical behavior. We also maintain “whistle-blower” procedures so that employees can anonymously report any concerns about improper payments. However, these policies and procedures were recently implemented, and we have only limited experience operating under them. Any claims, proceedings or other actions involving or implicating any violation of anti-bribery laws and anti-competition in China and elsewhere and any other applicable laws and regulations, by us, our employees, our business partners or our related parties may harm our reputation and divert our management’s attention. If any such allegations are proven against us or our employees, we could be subjected to severe penalties, including fines, criminal sanctions, loss of licenses or other restrictions on our operations, any of which could have a material adverse effect on our reputation, financial results, and prospects.

Our risk management and internal controls significantly rely on our information technology system in the collection, analysis and processing of information and our implementation of various policies and procedures. While we seek to continuously upgrade our information technology system, there may be uncertainties, limitations or technical defects in connection with the infrastructure, software and models. In addition, we cannot assure you that all of our employees will adhere to the policies and procedures, or that human errors or mistakes will not occur. Moreover, our growth and expansion as well as the evolvement of the regulatory environment of China’s consumer finance market may affect our ability to implement stringent risk management and internal control systems. If we fail to adapt our risk management policies and procedures in a timely manner or our policies and procedures fail to prevent and detect any such activities or our employee otherwise become involved in allegations of improper actions, our business, results of operations, financial conditions, and reputation may be materially and adversely affected.

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Our direct, real-time, and officially authorized read-and-write access to the CCRC consumer credit database is one of our competitive strengths. If our access to this system is hindered, suspended or terminated, even briefly or to a limited extent, our business and results of operations may be materially and adversely affected.

We have direct, real-time, and officially authorized read-and-write access to the consumer credit database of the CCRC, which maintains China's national commercial and consumer credit reporting system. Such full access allows us to read the CCRC credit data and to report the relevant credit data to the CCRC. We believe that credit data is the foundation of borrower credit assessment and that the official credit records maintained by the CCRC has been and will continue to be the consumer credit market infrastructure. The CCRC is responsible for maintaining China's national consumer credit database, and access to its database may be interrupted due to their operation requirements, such as shutdowns during national holidays. If our access to the CCRC consumer credit database is hindered, suspended or terminated, even to a limited extent or for a short period, the data analytics for our credit risk quantification may be impaired, causing our risk-based pricing and credit decisioning to become inaccurate and the delinquency ratios of our credit products to increase, and therefore our reputation, business and results of operation will suffer. Moreover, data integrity is critical to the effectiveness of our credit risk management system. If our access to the CCRC consumer credit database discontinues or is restricted or hindered in any way, we may not be able to find other credit data sources with equivalent comprehensiveness, accuracy or integrity on commercially reasonable terms, or at all, and we may not be able to continuously optimize our credit assessment and enhance our risk-based pricing capabilities. Accordingly, our market position, business and results of operation may be materially and adversely affected.

We face intense competition, and, if we do not compete effectively, our results of operations could be harmed.

China's online consumer finance market is highly competitive and rapidly evolving. As of December 31, 2017, there were approximately 350 online consumer finance service providers operating in this market within China, according to the Frost & Sullivan Report. We compete with these market players for borrowers, funds or both. Our competitors may operate with more efficient business models and cost structures. They may ultimately prove to be more successful or more adaptable to new regulatory, technological and other developments than us. Some of our current and potential competitors have significantly more financial, technological, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sales and support of their platforms, products and services. Our competitors may also have longer operating histories, more extensive and stable borrower base or funding sources, greater brand recognition and brand loyalty and broader partner relationships than us. Additionally, a current or potential competitor may acquire, or form strategic alliances with, one or more of our competitors. Our competitors may be better at developing new products and services, offering more attractive investment returns or lower fees, responding faster to new technologies and undertaking more extensive and effective marketing campaigns. In response to competition and in order to grow or maintain our loan origination volume, we may have to offer lower interest rates and service fees to attract borrowers and institutional funding providers, respectively. We currently derive a substantial majority of our total income from interest income and loan facilitation service fees. Any material decrease in our interest income or loan facilitation service fees would have a material adverse effect on our business, results of operations and financial condition. If we fail to compete effectively in the industry, the demand for our credit products could substantially decline and our business and results of operations could be harmed.

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We may not always be able to anticipate and satisfy the changing needs of our target borrowers. If we fail to retain existing borrowers or attract new borrowers, our loan origination volume may decrease.

Since the launch of our major mobile applications in 2015, the number of our registered users and the loan origination volume have grown rapidly. The number of our registered users increased significantly from 1.1 million as of December 31, 2015 to 12.3 million as of December 31, 2016 and further to 48.4 million as of December 31, 2017, and the total loan origination volume increased significantly from RMB3.53 billion in 2015 to RMB7.87 billion in 2016 and further to RMB24.54 billion in 2017. In order to further grow our business, we must continue to retain existing borrowers and attract new borrowers. Our core growth strategies include providing fairly priced credit products tailored to attract new borrowers and increase the life-value of our existing borrowers. As the credit needs of our target borrowers and the market conditions keep changing, we cannot assure you that we will be able to continue to successfully implement these strategies. If we fail to offer attractively priced credit products to the borrowers, or launch or adapt the products that cater to their evolving credit needs, we may not be able to maintain or increase the growth rate of our borrower base as well as the repeat borrowing rate of our products, which will materially and adversely affect our business and results of operations. In addition, we have dedicated and expect to continue to dedicate significant resources to acquire users, including improving our brand recognition and introducing new credit products. However, we cannot assure you that we will be able to acquire users in a cost-effective manner, or at all.

If there are insufficient qualified loan requests, we may not be able to meet the continuous investment demands of our funding partners, who may then turn to our competitors or seek other forms of investments. If there are insufficient funding sources, borrowers may be unable to obtain capital through loans originated by us on a timely basis, or at all, and may turn to other sources for their borrowing needs, including our competitors. If we are unable to attract qualified borrowers and sufficient funding sources or if borrowers do not continue to use our products at the current rates, we may not be able to increase our loan origination volume, which would adversely affect our business and results of operations.

We incurred net losses in the Track Record Period and may continue to experience losses in the future.

We had a net loss of RMB303.1 million, RMB565.1 million, and RMB1.00 billion for the years ended December 31, 2015, 2016, and 2017. As of December 31, 2017, we had an accumulated deficit of RMB1.96 billion. We cannot assure you that we will be able to generate net profits in the future. For example, we may continue to recognize fair value loss of Preferred Shares until automatic conversion of our Preferred Shares upon the Listing for the year ending December 31, 2018. We may also recognize significant share-based compensation expenses for the year ending December 31, 2018. We believe that our future total income growth will depend on, among other factors, market acceptance of our credit products, the effectiveness of our risk-based pricing capabilities and risk management system, as well as our ability to attract and retain borrowers and institutional funding providers and innovate and improve our products, services and solutions. In addition, our ability to sustain profitability is affected by various factors, many of which are beyond our control, such as the macro-economic and regulatory environment and competition of the consumer finance market.

We may continue to incur losses in the future due to our continued investments in services, technologies, research and development and our continued sales and marketing initiatives. Accordingly, we believe that we may experience losses for some time in the future.

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Our impairment allowance and guarantee liabilities may not be adequate to cover actual credit losses.

We face the risk that borrowers under the loans originated by us fail to repay their principals, interest and applicable fees in full. We have four funding structures for the loans originated by us, among which three funding structures are: (i) direct lending, where we directly lend to the borrowers; (ii) trust lending, where trust plans and asset management plans lend the money and we subscribe to subordinated tranches of the trust plans and the asset management plans and guarantee the loans lent by the trust plans and asset management plans; and (iii) credit-enhanced loan facilitation, where we guarantee the loans that we facilitate. Under our direct lending and trust lending structures we incur impairment losses in relation to loans to customers and receivables, and under our credit-enhanced loan facilitation structures we record guarantee liabilities in relation to the loans guaranteed by us.

Loans funded through the direct lending and trust lending structures could subject us to significant credit risk. For a discussion of our credit risk exposure, see the section headed “Financial Information—Financial Risk Disclosure—Credit Risk.” With respect to loans to customers, the estimated losses of loan principal and interest income due to borrowers’ defaults are recorded as impairment allowance as a net-off item of loans to customers on our consolidated statements of financial position. As of December 31, 2015, 2016, and 2017, our impairment allowances in relation to loans to customers were RMB755.3 million, RMB1.14 billion, and RMB1.80 billion, respectively. With respect to the loans funded through the credit-enhanced loan facilitation structure, we recorded the estimated future payments due to the default of loans guaranteed by us as guarantee liabilities on our consolidated statements of financial position. As of December 31, 2015, 2016, and 2017, our guarantee liabilities were RMB8.7 million, RMB31.3 million, and RMB169.6 million, respectively. As of December 31, 2017, the outstanding balance of loans originated under our credit-enhanced loan facilitation structure was RMB2,101.3 million.

We have established an evaluation process designed to determine the adequacy of our impairment allowances and guarantee liabilities. While this evaluation process uses historical and other objective information, it is also dependent on our subjective assessment based upon our estimates and judgment. For a discussion of our provisioning policy, see the section headed “Business—Asset Quality and Provisioning Policy.” For a discussion of our valuation of guarantee liabilities, see the section headed “Accountant’s Report—Notes to the Historical Financial Information—Measurement of financial guarantee liability” in Appendix I. Actual losses are difficult to forecast, especially if such losses stem from factors beyond our historical experience. Given that the online consumer finance market is rapidly evolving, and is subject to various factors beyond our control, such as shifting trends in the market, regulatory framework, and overall economic conditions, we may not be able to accurately forecast the delinquency ratios of our current target borrower base due to the lack of sufficient data. Therefore, our actual delinquency ratios may be higher than we expected. If our credit risk assessment and expectations differ from actual circumstances or if the quality of the loans originated by us deteriorates, our impairment allowance and guarantee liabilities may be insufficient to absorb actual credit losses and we may need to set aside additional provisions, which could have a material adverse effect on our business, financial condition and results of operations.

The credit profiles of our borrowers may deteriorate over time, as the credit cycle progresses.

Our business is subject to the credit cycle associated with the volatility of the general economy. Any actual or perceived threat of economic crisis or prolonged downturn in the credit markets may cause tightening credit guidelines, limited liquidity, deterioration in credit performance and increased

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foreclosure activities. As a result, the number of quality borrowers seeking credit from us and the funding partners seeking investment opportunities will decrease, and the delinquency ratios of the loans originated by us may increase. In the event that the creditworthiness of our borrowers deteriorates or we cannot track the deterioration of their creditworthiness, the criteria we use for the analysis of borrower credit profiles may be rendered inaccurate, and our risk management system may be subsequently rendered ineffective. This in turn may lead to higher delinquency ratios and adverse impacts on our reputation, business, results of operations and financial position.

If we are unable to enhance or maintain our existing collaboration relationships with our funding partners to meet the demands of our borrowers, our market position and results of operations may be materially and adversely affected.

We continuously endeavor to establish and maintain long-term relationships with diversified funding partners in order to secure scalable, stable and reliable funding for our credit products. Historically, a majority of our loan origination volume has been funded through our trust lending structure. For further information of material trust plans and asset management plan, see the section headed “Accountant’s Report—Notes to the Historical Financial Information—General information.” Our funding partners could decide not to continue their collaboration with us due to changes in economic conditions, regulatory regime or any unexpected shortage of funds. For instance, if the cooperation arrangements between our funding partners and us are found to be non-compliant with the relevant laws and regulations, including Circular 141, they may be prevented from funding the loans facilitated by us. In addition, on April 27, 2018, the PBOC and certain other financial regulators jointly issued the Guidance on Regulating the Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》), or the Asset Management Rules, which stipulated, among others, detailed requirements for fixed-return asset management products including trust plans established and managed by trust companies. The Asset Management Rules require that the ratio of senior tranche units to subordinated tranche units under fixed-return products cannot exceed 3:1, and allow a transitional period until the end of 2020. The ratios of our subscription to the subordinated tranches of the trust plans under our trust lending structure to the relevant senior tranches currently do not meet this requirement. We may be required by certain trust companies to inject additional capital to subscribe to a higher percentage of subordinated tranches of the trust plans, possibly even before the end of the transitional period, or be required to resort to alternative trust plan structures, which could cause complications to our collaboration relationships with our funding partners. Although we believe we maintain good relationships with our funding partners, we cannot assure you that our funding partners will not cease to fund the loans or significantly reduce their funding amounts or increase the funding costs to the loans originated by us, or we will be able to find a replacement timely and at commercially acceptable terms, or at all. In addition, we began offering the credit assessment services based on our *Hummingbird* system to our funding partners as an integrated part of the pure loan facilitation structure in August 2017. Under this structure, we do not use our own capital or provide loan guarantees with respect to the loans funded by the financial institutions. However, we cannot assure you that our pure loan facilitation structure will be generally accepted by our funding partners or otherwise meet our expectation. If we are unable to further expand our funding sources to meet the increasing demands of borrowers, we may lose our market share and be unable to grow our total income at a desirable rate.

Changes in accounting standards may make it difficult to compare our results of operations.

We are required to adopt new accounting standards under IFRS from time to time. Certain new accounting standards may impose significantly different accounting treatments on certain line items on

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our consolidated financial statements, which could make it difficult to compare our results of operations from period to period.

We currently assess the impairment of our loans and other financial assets and liabilities not designated at fair value through profit or loss under the guidance of IAS 39. The complete version of IFRS 9—Financial Instruments was issued by the International Accounting Standards Board in July 2014, and has been effective since January 1, 2018. IFRS 9 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. As a result of the application of the classification and measurement requirements of IFRS 9, loans to customers will be reclassified from loans and receivables under IAS 39 to financial assets measured at fair value through profit or loss under IFRS 9, because the difference between carrying amount of the loans and repayment amount received is significant and does not meet the “solely payment of principal and interest” test and thus prevents measurement at amortized cost. As such, assuming other factors remain unchanged, we are required under IFRS 9 to recognize loss earlier, and thus could recognize higher amount of loss in a given reporting period in light of the anticipated increase in loan volume. The classification and measurement of new loan contracts will depend on whether their terms can pass the “solely payment of principal and interest” test. Therefore, the accounting treatment of new loan contracts is subject to ongoing uncertainty, which in turn could affect our results of operations on an ongoing basis. Our results of operations during the Track Record Period may not be indicative of our results of operations for the reporting periods beginning on or after January 1, 2018. Moreover, the adoption of IFRS 9 is expected to increase net deficit as of January 1, 2018 by approximately RMB214 million on an after-tax basis. For a detailed discussion of differences between IAS 39 and IFRS 9 and the quantitative impact of the classification and measurement requirements arising from the adoption of IFRS 9 on our results of operations, see the section headed “Accountant’s Report—Notes to the Historical Financial Information—Summary of significant accounting policies—Basis of preparation—Changes in accounting policy and disclosures” in Appendix I.

We require substantial capital to operate our business and to sustain our growth, and we cannot assure you that we will be able to obtain adequate capital on acceptable terms, or at all.

The operations and expansion of our business require substantial capital due to the nature of our business and regulatory requirements. With respect to loans funded through the credit-enhanced loan facilitation structure, the funding partners typically would require us to maintain certain amount of cash deposit with them to ensure we will fulfill our financing guarantee obligations when the loan payment is delinquent. Our ability to provide such deposits depends on the availability of sufficient cash positions. As of December 31, 2015, 2016 and 2017, our cash and cash equivalents amounted to approximately RMB200.2 million, RMB289.9 million, and RMB568.2 million, respectively. As of the same dates, we provided approximately RMB6.3 million, RMB23.1 million, and RMB145.5 million, respectively, as security deposits with our funding partners pursuant to our cooperation agreements. If we are unable to maintain adequate liquidity to provide security deposits, our cooperation with our funding partners may be materially and adversely affected and our business operations may be affected.

Furthermore, our financing guarantee company provides loan guarantees for the loans under the credit-enhanced loan facilitation structure. The size of loan guarantees that our financing guarantee company may provide is limited by the amount of its net assets. According to the relevant PRC laws and regulations, the total net balance of the outstanding financing guarantees provided by a financing

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guarantee company must not exceed ten times of its net assets. If we are unable to obtain additional capital and replenish the net assets of our financing guarantee company, the size of the loan guarantees we may provide will be limited and the scale of our credit-enhanced loan facilitation structure may not grow as we expect.

We conduct direct lending primarily through our online small loan companies. These companies are only permitted to extend loans using their own capital or bank loans up to the aggregate outstanding principal amount of 50% of their respective net capital pursuant to the applicable PRC laws and regulations. We also subscribe to subordinated tranches of the trust plans that fund the loans originated by us under the trust lending structure. We will need to inject additional capital into the online small loan companies and trust plans to meet the growing funding needs of our credit products if we are unable to obtain alternative external financing sources. Following the issuance of the Asset Management Rules, we may be required by trust companies to inject additional capital to subscribe to a higher percentage of subordinated tranches of the trust plans, possibly even before the end of the transitional period, to comply with the new regulatory requirements.

We believe the net proceeds we receive from the Global Offering, together with our cash on hand, will be sufficient to meet our current and anticipated business needs in the next 12 months. However, we may need additional capital for continuing investments in the capital pool of our licensed operating entities, our technology and IT infrastructure, and talent acquisition and retention. During the Track Record Period, our net cash outflow from operating activities increased significantly. For the years ended December 31, 2015, 2016, and 2017, net cash outflow from operating activities was RMB1.06 billion, RMB2.48 billion, and RMB4.16 billion, respectively. If we are unable to obtain adequate financing on commercially acceptable terms, or at all, our ability to fund the operations and take advantage of new opportunities may be hindered, and our business, results of operations and financial condition may be materially and adversely affected.

The fair value measurement of certain of our assets and liabilities is subject to significant uncertainties and risks and the fair value changes of such assets and liabilities may materially and adversely affect our results of operations.

During the Track Record Period, we issued Preferred Shares, which are designated as financial liabilities at fair value through profit or loss. We also made investments in certain wealth management products, which are designated as financial assets at fair value through profit or loss. The fair value measurement of these assets and liabilities is subject to significant uncertainties and risks.

We make estimates and assumptions when valuing these assets and liabilities. The fair value of financial assets and liabilities that are not traded in an active market, such as our Preferred Shares, is determined using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these assets and liabilities. We have used the discounted cash flow method to determine the underlying equity value of our Company and adopted the equity allocation model to determine the fair value of our Preferred Shares. For a discussion of assumptions and other information regarding our valuation methodologies, see the section headed “Accountant’s Report—Notes to the Historical Financial Information—Critical accounting estimates and assumptions” in Appendix I. The valuation methodologies that we use may involve a significant degree of management judgment and are inherently uncertain, and may result in material adjustment to the carrying amounts of certain assets and liabilities, which in turn may materially and adversely affect our results of operations.

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Our Preferred Shares are managed on a fair value basis rather than by maturity dates because we recognize the Preferred Shares at fair value through profit or loss. The fair value of our Preferred Shares is affected by changes in our Company's equity value. As of December 31, 2015, 2016, and 2017, the Preferred Shares had fair value of RMB838.8 million, RMB1.56 billion, and RMB3.04 billion, respectively. The fair value loss of Preferred Shares represents changes in fair value of our Preferred Shares. For the years ended December 31, 2015, 2016, and 2017, our fair value loss of Preferred Shares was RMB146.6 million, RMB270.5 million, and RMB1.29 billion, respectively. This loss increased significantly since 2016 because our business continued to grow at a fast pace and we were approaching our initial public offering. The fluctuation in the fair value of our Preferred Shares may materially and adversely affect our results of operations for the year ended December 31, 2018, although we will not incur any fair value loss of our Preferred Shares following the Listing, upon which all of our Preferred Shares will be converted into ordinary shares.

Failure to obtain, renew, or retain requisite licenses, permits, or approvals may adversely affect our ability to conduct or expand our business.

The PRC government extensively regulates the consumer finance market and the Internet industry, and we are therefore required to hold various licenses, permits, or approvals issued by relevant authorities for our business operations. Currently, we have two small loan companies permitted to operate nationwide online small loan lending businesses, one financing guarantee company licensed to provide guarantee services, and one small loan company permitted to conduct the lending business in an approved area in the city of Qingdao, China, subject to specific PRC laws and regulations relevant to their respective permitted businesses. The business operations of our permitted entities are subject to the inspections and examinations of relevant government authorities from time to time. For instance, pursuant to a notice issued by the P2P Online Lending Working Group in December 2017, local branches of the P2P Online Lending Working Group conducted examination and inspection of online small loan companies that concluded by the end of January 2018. Depending on the inspection results, these local regulatory authorities may require the online small loan companies they inspected to take rectification measures within specified periods, may revoke the operation approvals of non-compliant companies and may order non-compliant companies to cease business operations. Although the competent government authorities have conducted their inspections of our online small loan companies in accordance with such notice, we have not received the results of such inspection or other feedbacks as of the Latest Practicable Date. However, we cannot assure you that we will not receive any inspection results that require us to adjust our business practices or otherwise adversely affect our business operations. Moreover, from time to time, we may wish to increase the registered capital of our licensed or permitted operating entities, including our financing guarantee company and online small loan companies, modify our existing products and services, offer new financial products or services, or engage in personal credit collecting and reporting business to keep up with changing consumer preferences. We may also establish new subsidiaries or branches to expand our business network. As a result, we may be required to obtain or maintain certain licenses, permits, or approvals to expand our businesses, offer new products and services or enter into new geographical areas. The ambiguous interpretations and application of existing PRC laws, regulations and policies and possible new laws, regulations and policies governing our industry have created substantial uncertainties regarding the licensing or approval requirements of our business and activities. We cannot assure you that we will be able to obtain all the licenses, permits, or approvals required to conduct our business in China or maintain our existing licenses, permits, and approvals. Any failure or significant delay to obtain or renew, or any suspension or revocation, of these licenses, permits, and approvals, may have a material adverse impact on our business and results of operations.

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We may be required to obtain value-added telecommunication business licenses, which may be time-consuming and costly and interrupt our business.

According to relevant PRC laws and regulations, any enterprise must obtain a value-added telecommunication business license to operate value-added telecommunication business. An ICP License is required for engaging in commercial Internet information services, and a value-added telecommunication business license for online data processing and transaction processing, or ODPTP license, is required for engaging in the operation of online data processing and transaction processing.

Based on the confirmation from the competent PRC government authorities (Shanghai Communications Administration Bureau and Shanghai Finance Service Office), we are not required to obtain an ICP License or ODPTP license or other value-added telecommunication business licenses (collectively, the “VATS Licenses”) as an online consumer finance service provider operating a loan facilitation or direct lending business. For a discussion of our funding structures of loans, see the section headed “Business—Funding of Loans—Funding Structures.” Nevertheless, given the evolving regulatory environment of China’s online consumer finance market and value-added telecommunication business, we cannot rule out the possibility that the PRC communication administration authority or other government authorities will require online consumer finance service providers like us to obtain an ICP License, ODPTP license 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 corrective orders and warnings from the PRC communication administration authority, fines and confiscation of illegal gains and, in the case of significant infringements, the mobile applications may be ordered to cease operation, or other sanctions as stipulated in the new regulatory rules, which would materially and adversely affect our business and impede our ability to continue our operations.

If we are required to obtain an ICP License or other value-added telecommunication business licenses pursuant to new PRC laws and regulations and interpretations, we may need to restructure our current business practice or make further adjustment to our business for the compliance of such new laws and regulation and interpretations. Any such restructuring and adjustment may be time-consuming and costly and may result in interruptions to our business, and our business and operating results may be materially and adversely affected.

Our current level of interest and fees rates may significantly decline due to changes in market or regulatory environment, which may reduce our profitability.

We generate a substantial majority of our total income from our interest income and loan facilitation service fees. Our interest income is primarily derived from loans originated by us through our trust lending and direct lending structures, and our loan facilitation service fees are primarily derived in connection with loans originated by us under the credit-enhanced loan facilitation and pure loan facilitation structures. For a discussion of our funding structures, see the section headed “Business—Funding of Loans—Funding Structures.” The rates of interest and fees we receive may be affected by the development of changes in our product mix, general economic conditions, regulatory requirements and the competition in the consumer finance market. Any material reduction in our interest and fee rates could have a material adverse effect on our results of operations and financial condition.

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In accordance with Circular 141, the total borrowing cost must comply with the legal requirements on private lending interest rates provided by the judicial department. According to the Provisions on Certain Issues of the Application of Laws in the Trial of Private Lending Cases (《關於審理民間借貸案件適用法律若干問題的規定》) issued by the PRC Supreme People's Court in August 2015, in respect of lending activities between individuals, entities or other organizations that are not licensed financial institutions, if the interest rate of a loan exceeds 36% per annum, the part in excess of 36% per annum is invalid and void; if the interest rate of a loan exceeds 24% per annum but is not more than 36% per annum, the interest rate in excess of 24% will be treated as a natural obligation—valid but not enforceable in the PRC judicial system; a voluntary payment at an interest rate in excess of 24% per annum and less than 36% per annum will likely not be challenged. In August 2017, the PRC Supreme People's Court promulgated the Circular of Several Suggestions on Further Strengthening the Judicial Practice Regarding Financial Cases (《關於進一步加強金融審判工作的若干意見》), which provides, among others, that (i) the claim of a 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, and other fees collectively claimed by the lender is much higher than the actual losses must be supported by the PRC courts; and (ii) in the context of online finance disputes, if an online lending information intermediary and lender circumvent the upper limit of the judicially protected interest rates by charging intermediary fees, such fees must be ruled as invalid. For a discussion of relevant PRC laws and regulations on interest and fee rates, see the section headed “Regulations—Regulations Relating to Loans and Interest Rate.” As of December 31, 2017, the Nominal APRs of all of our outstanding loans to customers were less than 36%. Our Effective APRs for certain outstanding loans that we originated prior to February 2018, when calculated using what we believe is the most conservative method, are higher than 36%. Since February 2018, we are no longer originating new loans at Effective APRs higher than 36%. We cannot assure you that PRC government authorities, including judicial department, will agree with our interpretation and calculate the total borrowing cost according to the method used by us. Furthermore, there can be no assurance that if any of the borrowers claim to cut down our Effective APRs between 24% and 36% before the PRC courts, such claim would not be upheld by the PRC courts. In addition, if any future legislation, judicial interpretation or regulation sets lower caps on or otherwise limits overall costs to borrowers, parts or all of the interest or fees we charge that exceed these limits may be ruled as invalid and our business, financial condition and results of operations may be adversely affected.

Moreover, the fluctuation of market interest rates may affect the demand for our lending and loan facilitation products and services. For example, an increase in prevailing market interest rates may cause our Effective APRs to increase. As a result, our credit products may have to charge higher interest rates to the borrowers, and thus deter borrowers from using our credit products and services. Similarly, if we are unable to effectively adjust our funding costs when the prevailing market interest rates decrease, our credit products and services may be less attractive to borrowers compared to the competitive products in the market. If our borrowers decide not to use our credit products because our credit products have higher interest rates than the market, they may turn to our competitors and our ability to retain existing borrowers and attract new borrowers may be severely impaired, which will have a material adverse effect on our market share, business and results of operations.

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We historically had a total deficit position, which may adversely affect our ability to declare and pay dividends.

As of December 31, 2015, 2016, and 2017, we had total deficit of RMB169.9 million, RMB809.6 million, and RMB1.51 billion, respectively, primarily because we incurred fair value losses of RMB146.6 million, RMB270.5 million, and RMB1.29 billion from our Preferred Shares for the years ended December 31, 2015, 2016, and 2017, respectively. The Preferred Shares are designated as liabilities on our consolidated statements of financial position; and the increases in fair value are recognized as fair value loss on our consolidated statements of comprehensive income. We will not incur any fair value loss of our Preferred Shares following the Listing as all our Preferred Shares will be converted into our ordinary shares upon the Listing, but we may continue to retain accumulated deficits due to the fair value loss of our Preferred Shares prior to the Listing. Under the Cayman Companies Law, we may only declare dividends out of our profits (realized or unrealized) or amounts standing to the credit of our share premium account. Therefore, such accumulated deficit 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 failure to protect the confidential information of our borrowers may subject us to the liabilities, administrative penalty or other regulatory actions imposed by data privacy and protection laws and regulations, negatively impact our reputation and deter borrowers from using our products and services.

We collect, store and process a large volume of personal and other sensitive data provided by our users, from the CCRC and other third-party sources. Although we have taken various measures and adopted strict internal policies to protect the confidential information to which we have access, our security measures could still be breached. Confidential user data may be leaked and used for criminal purposes in the event of any accidental or willful security breaches or other unauthorized access to our system, which may expose us to liabilities, administrative penalty or other regulatory actions related to the loss of information and damage our brand and reputation.

In recent years, the PRC government has tightened the regulation of the storage, sharing, use, disclosure and protection of personally identifiable information and user data, particularly the online personal information. Relevant PRC laws and regulations require Internet service providers and other network operators, among other things, to clearly state the authorized purpose, methods and scope of the collection and usage of information and obtain the consent of users, as well as to establish user information protection system with remedial measures. We have adopted appropriate procedures to inform our borrowers and obtain their consent to use their information within the scope of authorization. In addition, we established internal system and policies to protect user information with remedial measures. However, we cannot assure you our data privacy protection system will be considered sufficient under the applicable laws and regulations due to the uncertainty of the interpretation and implementation of the existing laws and regulations. Moreover, there could be new laws, regulations or industry standards that require us to change the business practice or privacy policies we established. Our inability to adequately address privacy concerns, even if unfound, or to comply with applicable privacy or data protection laws, regulations and privacy standards, may expose us to liability, damage our reputation, discourage the use of our products and services and harm our business.

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Any breaches to our security measures, including cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions, may adversely affect our database and damage our reputation and brand.

The massive data that we have processed and stored may attract and expose us to risks of cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. Our security measures may not be effective to prevent security breaches or other unauthorized access since the techniques used to sabotage or obtain unauthorized access to systems evolve continuously and generally are hard to detect before launch. Moreover, our security measures could also be breached because of employee error, malfeasance or otherwise, or defects in our technology infrastructure. If security breaches were to occur and confidential information or data, including personal data, were stolen, leaked and used for illegal or criminal activities, we may be exposed to liabilities related to the loss of the information, time-consuming and expensive litigation and negative publicity, and our reputation, business operations and financial condition could be materially and adversely affected. The PRC Network Security Law (《中華人民共和國網絡安全法》), effective on June 1, 2017, stipulates that a network operator, including Internet information service providers, among others, must adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. For a detailed discussion, see the section headed “Regulations—Regulations Relating to Internet Information Security and Privacy Protection.” While we have adopted comprehensive measures to comply with the applicable laws, regulations and standards, we cannot assure you that such measures will be effective. If we were found by the regulatory authorities to have failed to comply with the PRC Network Security Law, we would be subject to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, shutdown of our businesses or even criminal liability and our business, financial condition and results of operations would be adversely affected.

If the credit or other information of a prospective borrower we receive from other parties is inaccurate or unreliable, the accuracy or effectiveness of our credit assessment and risk-based pricing may be compromised.

We perform credit assessment based on, to a significant extent, information provided by loan applicants and data provided by the CCRC, industry anti-fraud service provider, e-commerce platforms and other third-party sources. The reliability of borrower credit data is relatively limited in China. Although we implement comprehensive credit assessment procedures to verify and cross-check borrower credit data, the information provided by loan applicants to us can be inaccurate or fraudulent, and the data provided by the CCRC or third-party sources can be inaccurate or unreliable. The CCRC consumer credit database is still in the development stage and is limited in data coverage. For example, we currently do not have any comprehensive measure to determine if a prospective borrower has obtained loans from other consumer finance service providers. Moreover, credit information and analysis provided by other third parties may be falsified or tainted in the collection process and may be produced based on assumptions and methodologies undisclosed to us, which would limit our ability to properly use such data inputs in our credit assessment and risk-based pricing. In addition, historical data and analysis may not provide a reliable basis to assess an applicant’s credit profile where the economic conditions have changed or the financial conditions of such applicant deteriorates after the loan has been funded. Our granular risk-based pricing is made by taking into consideration hundreds of effective variables. If the underlying data is outdated,

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incomplete, inaccurate or otherwise not indicative of the creditworthiness of the borrowers, the accuracy or effectiveness of our credit assessment and risk-based pricing may be compromised, in which case we may approve less creditworthy borrowers from whom we are unable recoup funds or effectively control our delinquency ratios, which will harm our reputation and results of operations.

Fraudulent activities could negatively impact our operating results, brand and reputation.

We are subject to the risk of fraudulent activities associated with borrowers and other third-party service providers handling user information. We cannot assure you that our existing fraud detection measures are or will be sufficient to accurately detect and prevent fraud. For instance, currently, the coverage of credit data available to us is limited and we lack a comprehensive way to know private borrowings of our borrowers from other consumer finance service providers. The borrowers may use the loans originated by us to repay the loans they borrowed from other consumer finance service providers, which could expose us to higher risk. Moreover, we may not be able to monitor our borrowers' actual use of the financing, or detect suspicious or illegal transactions, such as money laundering. An increase of fraudulent activities associated with our products could negatively impact our brand and reputation, discourage funding partners from funding the loans facilitated by us and lead us to take additional steps to reduce relevant risks, which could increase our costs. High profile fraudulent activities could even lead to regulatory intervention and may divert our management's attention and cause us to incur additional expenses and costs. Although we have not experienced any material business or reputational harm as a result of fraudulent activities in the past, we cannot assure you that any of the foregoing will not occur and harm our business or reputation in the future.

We have established business collaborations in the areas of joint-modeling and precision marketing with several Chinese Internet technology conglomerates. Failure to maintain relationship with these business partners may materially and adversely affect our business, financial condition and results of operations.

We have deep collaborations with our business partners in the areas of joint modeling and precision marketing. In particular, we carry out joint modeling programs with several Chinese Internet technology conglomerates that can provide us with access to valuable data types and user cases that are otherwise not commercially available. Through these collaborations, we have developed scorecards specifically tailored to the business partners' user cases as we jointly determine and combine valuable data variables from our partners with our know-how and modeling capabilities. Furthermore, the process of joint-modeling enriches our modeling know-how, improves our risk-based pricing capabilities and fosters trust with our business partners for ongoing and deeper cooperation. We anticipate that we will continue to leverage our relationships with existing business partners to develop our business while pursuing new relationships with additional business partners.

We have invested significant time and resources to establish, maintain and further develop our relationships with our business partners. Most of our agreements with business partners do not prohibit them from working with our competitors or from offering competing services. If our business partners decide not to continue to work with us or they devote more resources to supporting our competitors or their own competing businesses, we may not be able to find a substitute on commercially favorable terms, or at all. In addition, if our business partners do not perform as expected or if we have material disputes with them, our business and results of operations may be adversely affected.

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Failure by us, our funding partners or our third-party service providers to comply with applicable anti-money laundering laws and regulations could damage our reputation and subject us to regulatory fines, sanctions or legal enforcement.

We are subject to the obligations of anti-money laundering according to the Internet Finance Guidelines. The Internet Finance Guidelines, among other things, require online 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. To comply with the Internet Finance Guidelines, we have adopted various policies and procedures, such as internal controls and “know-your-customer” procedures, for the prevention of money laundering. We cannot assure you our policies and procedures would be effective in preventing other parties from using us as a conduit for money laundering without our knowledge or that we will be deemed to be in compliance with applicable laws given the anti-money laundering obligations in the Internet Finance Guidelines are not specified. If we were to be associated with money laundering (including illegal cash operations), our reputation could suffer and we could become subject to regulatory fines, sanctions, or legal enforcement.

In addition, our funding partners, which are mostly licensed financial institutions, and our third-party service providers, in particular payment companies, may also be subject to anti-money laundering obligations under applicable anti-money laundering laws and regulations and are regulated in that respect by the PBOC. We currently rely on these funding partners and payment companies to adopt and implement their own anti-money laundering policies and procedures. If any of our funding partners or third-party service providers fails to adopt or implement appropriate anti-money laundering policies or procedures, or otherwise comply with applicable anti-money laundering laws and regulations, our reputation could suffer and we could become subject to regulatory intervention, which could have a material adverse effect on our business, financial condition and results of operations.

If we or our third-party loan servicing teams cannot effectively and properly collect delinquent loans, our business and results of operations may be materially and adversely affected.

We primarily rely on our in-house loan servicing team to handle the collection of delinquent loans. For the loans delinquent for a relatively long period of time, we engage third-party loan servicing teams to assist us. To maximize cost efficiency, both our in-house and third-party loan servicing teams service the collection of loans via phone calls, voice mails and text messages. For loans of relatively large amounts, we may also use collection methods such as in-person visits or legal proceedings. If these servicing methods become less effective, we may not be able to collect delinquent loans, and we and our funding partners may suffer losses. If under the relevant laws and regulations, including Circular 141, these collection methods are determined as harassments, threats, forced collection or other illegal activities, or third-party loan servicing teams use any other aggressive measures or misconduct in the servicing process, we may be subject to lawsuits, administrative penalties, or other regulatory actions, be prohibited from using these collection methods or suffer reputational damage. If this happens and we fail to adopt alternative collection methods in a timely manner or the alternative collection methods are not effective, we may not continue to effectively service our loans and our funding partners’ confidence in our products and services may be negatively affected.

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If we fail to promote and maintain our brand, or our brand is impaired due to negative publicity with respect to us, our business partners or other online consumer finance service providers in general, our business and results of operations may be harmed.

We believe that enhancing and maintaining awareness of our VCREDIT and *KK Credit* brands is critical to achieving widespread acceptance of our credit products, gaining trust for our services and attracting new borrowers and institutional funding providers. Successful promotion of our brand depends largely on the quality of the services we offer and the effectiveness of our branding and marketing efforts. It is likely that our branding and marketing efforts will require us to incur significant expenses and devote large amounts of resources. Brand promotion activities may not yield increased total income in the near term, and, even if they do, any total income increases may not offset the expenses we incur to promote our brand. If we are unable to maintain and further enhance our brand recognition and reputation, we may not be able to grow our borrower bases and our results of operations and financial condition may be adversely affected.

Unfavorable publicity related to us, our business partners or our industry could also affect our brand and reputation. Prospective borrowers and funding providers may be prevented from engaging in transactions with us if there is any malicious or negative publicity in connection with the use of our services or products, including those relating to the integrity of business practices, risk management capabilities, compliance with laws, and financial condition or prospects, whether with merit or not. Negative publicity surrounding our shareholders, Directors, management and their associates may also impact our reputation, whether or not directly related to us or our operations. Furthermore, negative publicity about other market players or isolated incidents, whether or not factually correct, such as widespread borrower defaults, fraudulent behavior, campus lending and/or the closure of other online consumer finance service providers, may result in negative perception of our industry as a whole and undermine the credibility we have established. These types of negative developments in the online consumer finance market may lead to tightened regulatory scrutiny and limit the scope of our permissible business activities. For instance, since 2015, there has been a number of reports of business failures of, or accusations of fraud and unfair dealing against, certain companies in China's consumer finance market. Although we believe that our business activities are legal and appropriate, if we are somehow associated with these companies or practices, borrowers, funding partners and other business partners may be less willing to engage the borrowing and funding activities with us, which could materially and adversely affect our business and results of operations.

Any undetected errors on our highly complicated software and IT infrastructure or any significant disruption to services on our mobile apps and our or our third-party service providers' systems, including events beyond our control, could adversely affect our business.

Our ability to deliver our services in a quality and timely manner depends on the satisfactory performance and reliability of our IT infrastructure and systems. The software and IT infrastructure on which we rely used to contain, 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. Errors or other design defects within the software and IT infrastructure on which we rely may result in a negative experience for the users of our mobile apps, delay introductions of new features or enhancements, result in errors or inaccuracy of data analysis, or compromise our ability to protect users' data or our intellectual property.

Furthermore, the IT infrastructure may be vulnerable to significant natural disasters, such as a fire, flood or earthquake, or man-made problems, such as power outage, strikes, terrorism or cyber-

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attacks. In addition, our operations also depend on the systems of our third-party service providers, including, among others, payment channels and telecommunications carriers and Internet data centers. Despite the disaster recovery plans we have adopted and other precautions we have taken, the occurrence of natural disasters or man-made problems on our or our third party providers' systems may cause lengthy interruptions in our services, and we may not have sufficient capacity to recover all data and restore services after the interruptions.

If any serious errors, bugs or defects were to be discovered in our software or IT infrastructure, or the IT infrastructure of us or our service providers were to experience any significant disruptions, we may not be able to protect our confidential information, users' data or intellectual property, or provide services to borrowers on our mobile apps and to our funding partners in a timely and efficient manner, which could harm our reputation and reduce the attractiveness of our services to borrowers and funding partners. Additionally, we currently do not maintain business interruption insurance to compensate us for potentially significant losses, including potential harm to our business that may result from interruptions in our loan facilitation services and solutions.

Any deficiencies in China's Internet infrastructure and fixed telecommunications networks could impair our ability to process loan transactions.

Any interruptions or delays in China's Internet infrastructure and fixed telecommunications networks, whether as a result of errors, natural disasters or security breaches, whether accidental or willful, could delay or prevent us from delivering satisfactory services and result in a loss of our borrowers and funding partners. Almost all access to the Internet in China is maintained through state-owned telecommunications operators under their administrative control. We primarily rely on a limited number of telecommunications service providers to provide us with data communications capacity through local telecommunications lines and Internet data centers to host our servers. We have limited access to alternative networks or services on commercially acceptable terms. In addition, web traffic in China has experienced significant growth during the past few years. Effective bandwidth and server storage at internet data centers in large cities are scarce. If we are unable to increase our online service delivering capacity as we expand our business, or the cost we pay for telecommunications and Internet services rises significantly, our results of operations may be adversely affected.

Any failure to protect our intellectual property could harm our business and competitive position.

Protection of our own intellectual property from unauthorized use is critical to our success. We rely on a combination of intellectual property laws regarding copyright, patents, trade secrets, trademarks and other rights, as well as contractual arrangements, including confidentiality agreements with our employees and others, to protect our proprietary rights. See also "Business—Intellectual Property." However, these measures may be inadequate to protect any of our intellectual property rights from being challenged, invalidated, circumvented, infringed or misappropriated by third parties. Furthermore, our efforts to protect our brand and intellectual property rights may not always be effective and may be costly. We regularly file applications to register our trademarks in China. Our applications may be challenged by third parties or rejected. As there are small loans and other companies that have company names or trademarks similar to ours, prospective borrowers, funding partners and other stakeholders may confuse those companies with us, or even associate us with negative publicity, if any, related to those companies, which could undermine our brand and reputation.

It is often difficult to effectively protect intellectual property rights or to enforce contractual rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement

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and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Contractual arrangements, such as 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 prevent misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could be costly, time-consuming and distracting to our management. We can provide no assurance that we will prevail in such litigation. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

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

Our operations may infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties. From time to time, we may be subject to legal proceedings and claims relating to the intellectual property rights of others. To the extent that our business and internal systems rely on software licensed from third parties, we rely on such third parties to maintain their proprietary intellectual property rights or licensing rights. There can be no assurance the application will be successful, and if not, our use of such trademarks may be challenged by others. Third parties may initiate legal proceedings or bring claims against us alleging our infringement of their intellectual property rights. Any legal proceedings or claims, with or without merit, may cause us to incur significant expenses and divert our management's attention. Successful claims asserted against us may result in substantial damages or royalties and may materially disrupt our business operations by restricting or prohibiting our use of such intellectual property.

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

We face risks relating to our labor dispatch arrangements.

As of May 31, 2018, we had engaged approximately 1,669 dispatched workers by signing labor dispatch service agreements with one third-party employment agent. These dispatched workers enter into labor contracts with the employment agents instead of with us. According to the Interim Provisions on Labor Dispatch (《勞務派遣規定》) promulgated in March 2014, dispatched workers may only hold temporary, auxiliary or substitute positions, and the percentage of dispatched workers may not exceed 10% of the total work force of an entity, including both employees and dispatched workers. See "Regulations—Regulations Relating to Employment." Our dispatched workers generally hold non-key positions with us, such as sales assistants in our offline outlets and customer service assistants in our call centers. However, since the percentage of dispatched workers of some of our PRC subsidiaries is more than 10% of such subsidiaries' respective total work force, we may be ordered by labor authorities to rectify such non-compliance within a period of time. If we fail to rectify within this time limit, we may be subject to a penalty ranging from RMB5,000 to RMB10,000 per person for the number of dispatched workers in excess of 10% of the total work force of the relevant PRC

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subsidiaries. The estimated total maximum penalty is approximately RMB13.3 million (based on the number of such workers as of May 31, 2018). We may also be held jointly and severally liable with the employment agents for damages if our violation of the Interim Provisions on Labor Dispatch has caused damage to the dispatched workers. As of May 31, 2018, we had not received any rectification order and were not subject to any fine or other administrative penalties with respect to such dispatched worker arrangements. However, we cannot assure you that we will not be subject to any fine or penalties in the future. Furthermore, we cannot assure you that when our staffing needs increase along with the expansion of our business, the employment agents can provide sufficient dispatched workers with appropriate qualifications and skills in a timely manner.

According to the labor dispatch agreements with employment agents, we are obliged to make salary payments, social insurance and housing fund contributions and other related payments for the dispatched workers by payments to the relevant employment agents. Under the PRC Labor Contract Law (《中華人民共和國勞動合同法》), the employment agents, as the employers of those dispatched workers, are required to bear the salaries, statutory social insurance and housing fund contributions and any other benefits of these dispatched workers. However, we cannot assure you that such employment agents have fully performed or will consistently fulfill those obligations. If these employment agents fail to make full payment of the salaries, social insurance or housing fund contributions for our dispatched workers, their services to us may be interrupted and our business operations and operating results may be adversely affected.

We are involved in legal proceedings in the ordinary course of our business from time to time. If the outcomes of these proceedings are adverse to us, it could have a material adverse effect on our business, results of operations and financial condition.

We are involved in various litigation matters in the ordinary course of business from time to time, which could have a material adverse effect on our business, results of operations and financial condition. Furthermore, claims arising out of actual or alleged violations of law could be asserted against us by individuals, either individually or through class actions, by governmental entities in civil or criminal investigations and proceedings or by other entities. These claims could be asserted under a variety of laws and regulations, including but not limited to consumer finance laws, online or private lending laws, consumer protection laws, intellectual property laws, information security and privacy laws, and labor and employment laws. For further details, see the section headed “Business—Legal Proceedings and Compliance.” These actions could expose us to adverse publicity and to monetary damages, fines and penalties, as well as suspension or revocation of licenses or permits to conduct business. Even if we eventually prevail in these matters, we could incur significant legal fees or suffer reputational harm, which could have a material adverse effect on our business and results of operations as well as our future growth and prospects.

Our success depends on the continuing efforts of our key employees, including our senior management members and technology talents. If we fail to hire, retain and motivate our key employees, our business may suffer.

We believe our future success depends on our continued ability to retain, motivate, attract and develop qualified and skilled employees, in particular our senior management members and our technology talents, namely Mr. Liu, Mr. Liu Sai Keung Thomas, and Mr. Jin Jiafang. While we have provided incentives to our management members and other key employees, we cannot assure you that we can continue to retain their services. Some of the companies with which we compete for

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experienced employees may have greater resources than we do and may be able to offer more attractive terms of employment. If our key employees cease to serve us, our future growth may be constrained, our business may be severely disrupted, and we may incur additional expenses to recruit, train and retain qualified personnel to replace them.

In addition, although we have entered into confidentiality and non-compete agreements with our key employees, there is no assurance that any of our key employees will not join our competitors, form a competing business, or share our confidential information with our competitors or any third party. If any dispute arises between our current or former employees 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.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, collaboration and focus that contribute to our business.

We believe that a critical component of our success is our corporate culture, which we believe fosters innovation, arouses consciousness of risks, encourages teamwork and cultivates efficiency and creativity. We encourage our personnel to take ownership in their work, cultivate their awareness and capability of risk management, and help them achieve their full potential to be as innovative, creative and collaborative as possible. As we develop the infrastructure of a public company and continue to grow, we may find it difficult to maintain these valuable aspects of our corporate culture. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives.

From time to time we may evaluate and consummate strategic investments or acquisitions or establish strategic alliances, which could divert significant management attention and resources, disrupt our business and adversely affect our financial results.

We may evaluate and consider strategic investments and acquisitions or enter into strategic alliances to develop new products, services or solutions and enhance our competitive position.

Investments or acquisitions involve numerous risks, including the potential failure to achieve the expected benefits of the combination or acquisition; difficulties in, and the cost of, integrating operations, technologies, services and personnel; potential write-offs of acquired assets or investments; and downward effect on our operating results. These transactions will also divert the management's time and resources from our normal operations and we may have to incur unexpected liabilities or expenses.

We may also in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with potential leakage of proprietary information, non-performance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business.

Our insurance coverage may not be adequate, which could expose us to a significant costs and business disruptions.

Insurance companies in China currently do not offer as extensive an array of insurance products as those in more developed economies and are, to our knowledge, not well-developed in the field of

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business liability insurance. We do not have any business liability or disruption insurance to cover our operations. As such insurance products are not readily available where we operate our business, we believe that the costs of insuring for business liability and disruption risks and the difficulties associated with acquiring such insurance from insurance companies out of China could make it commercially unreasonable for us to have such insurance. Any uninsured business disruptions may result in substantial costs and the diversion of resources, which could have an adverse effect on our results of operations and financial condition.

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

Our business could be adversely affected by the effects of epidemics. In recent years, there have been breakouts of epidemics in China and globally. For example, our business operations could be disrupted if one of our employees is suspected of having H1N1 flu, avian flu or another 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 the outbreak harms the Chinese economy in general or our business environment in particular. We are also vulnerable to natural disasters and other calamities, which may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, and adversely affect our ability to provide services.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

Since our business operations are conducted in China, our business, financial position, results of operations and prospects are affected significantly by economic, political and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing and the allocation of resources. The PRC government exercises significant control over China's economic growth through imposing industrial policies, allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. While the Chinese economy has grown significantly in the past three decades, the growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing. Any adverse changes in economic conditions in China or in the laws, regulations or policies in China could have a material adverse effect on the overall economic growth of China, which may in turn reduce the demand for our services and products and lead to adverse effects on our business and results of operations.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

We conduct our business through our PRC subsidiaries and our operations in China are governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike in the common law system, prior court decisions may be cited for reference but have limited precedential value.

Since 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. However, since the PRC legal system

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continues rapidly evolving, the interpretation of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties. In particular, the regulatory framework of the consumer finance market is yet to fully develop. Since the administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of Chinese administrative and court proceedings and the level of legal protection we enjoy in China than in more developed legal systems. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

Furthermore, 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. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Any failure in response to the change of regulatory environment in a timely manner may lead to a material adverse effect on our business and results of operations.

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

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Our PRC subsidiaries receive all of our total income in Renminbi. Our Company's income primarily relies on dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations.

Under existing PRC foreign exchange regulations, Renminbi is freely convertible to foreign currencies with respect to "current account" transactions, but not with respect to "capital account" transactions. Approval or registration from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Dividend payments are current account transactions, which can be made in foreign currencies by complying with certain procedural requirements but do not require prior approval from SAFE. In light of the flood of capital outflows from China in 2016 due to the weakening Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting process have been put in place by SAFE to regulate cross-border capital account transactions. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

Fluctuations in exchange rates of Renminbi against foreign currencies could materially affect our reported results of operations.

The value of Renminbi against foreign currencies, including Hong Kong dollars and U.S. dollars, is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S.

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dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy goals.

For the years ended December 31, 2015, 2016, and 2017, we booked exchange losses of RMB57.4 million and RMB94.0 million, and an exchange gain of RMB171.4 million, respectively, on translation of financial statements on our consolidated statements of comprehensive income. As all of our total income is denominated in Renminbi, any significant revaluation of Renminbi may materially and adversely affect our cash flows, total income, earnings and financial position, and the value of, and any dividends payable on, our shares in Hong Kong dollars or U.S. dollars. For example, if we decide to convert our Renminbi into Hong Kong dollars or U.S. dollars for the purpose of making payments for dividends on our shares or for other business purposes, appreciation of Hong Kong dollars or U.S. dollars against the Renminbi would have a negative effect on the U.S. dollar amount available to us. Conversely, to the extent that we need to convert Hong Kong dollars or U.S. dollars we receive from this offering into Renminbi for our operations, appreciation of Renminbi against Hong Kong dollars or U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion.

Increase in labor cost in China may adversely affect our business and results of operation.

The economy in China has experienced increases in inflation and labor costs in recent years. As a result, average wages in China are expected to continue to increase. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pension, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government authorities for the benefit of our employees. The relevant government authorities 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.

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

We are a holding company, and we rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and repay any debt we may incur. If any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated after-tax profits as determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such funds reaches 50% of its registered capital. At its discretion, each of our PRC subsidiaries may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

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Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See also “—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.”

PRC regulations on loans and direct investments by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC entities.

We are an offshore holding company primarily conducting our operations in China. We may make loans or additional capital contributions to our PRC subsidiaries subject to approval by or registration with relevant government authorities in China.

Any loans to our PRC subsidiaries, which are treated as foreign invested enterprises, or FIEs, under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, any foreign loan procured by our PRC subsidiaries is required to be registered with the State Administration of Foreign Exchange, or SAFE, or its local branches, and our PRC subsidiaries may not procure loans which exceed the difference between their respective registered capital and registered total investment amount. Additionally, any medium or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the National Development and Reform Committee and SAFE or its local branches. We may also decide to finance our PRC subsidiaries by means of capital contributions. According to the relevant PRC regulations on FIEs in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System and registration with other government authorities in China.

In March 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (《關於改革外商投資企業外匯資金結匯管理方式的通知》), or SAFE Circular 19, which took effect on June 1, 2015. Although SAFE Circular 19 allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, it also reiterates the principle that Renminbi converted from foreign currency-denominated capital of an FIE may not be directly or indirectly used for expenditures beyond its business scopes. In June 2016, SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange (《關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16. SAFE Circular 16 reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using Renminbi converted from foreign currency-denominated registered capital of an FIE to issue Renminbi entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in China the net proceeds from this offering, which may adversely affect our business, financial condition and results of operations.

In light of the various requirements imposed by PRC laws and 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 such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

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The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

In August 2006, six PRC regulatory authorities, including the PRC Ministry of Commerce, promulgated the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which became effective on September 8, 2006 and were amended on June 22, 2009. Among other things, the M&A Rules and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that the PRC Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》) requires that the PRC Ministry of Commerce shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the PRC Ministry of Commerce 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 PRC Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. We cannot preclude the possibility that the PRC Ministry of Commerce or other government authorities may publish interpretations to broaden the scope of such security review in the future. Although we have no current plans to make any direct acquisitions in China, we may elect to grow our business in the future in part by directly acquiring complementary businesses. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the PRC Ministry of Commerce, may delay or inhibit our ability to complete such transactions.

Dividends we receive from our subsidiaries located in the PRC may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay our shareholders.

The PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or the EIT Law, classifies enterprises as resident enterprises and non-resident enterprises. The EIT Law provides that an income tax rate of 20% may be applicable to dividends payable to non-resident investors, which (i) do not have an establishment or place of business in China or (ii) have an establishment or place of business in China but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within China. The PRC State Council reduced such rate to 10% through the implementation rules of the EIT Law. Further, pursuant to the Double Tax Avoidance Arrangement between Hong Kong and Mainland China (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) and the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) issued in February 2009 by the State Administration of Taxation, or SAT, if a Hong Kong resident enterprise owns more than 25% of the equity interest in a company in China at all

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times during the 12-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on dividends is reduced to 5%, provided that certain other conditions and requirements under the Double Tax Avoidance Arrangement between Hong Kong and mainland China and other applicable PRC laws are satisfied at the discretion of the relevant PRC tax authority. We are a holding company, and we have a Hong Kong subsidiary which in turn holds controlling equity interests of several PRC subsidiaries. If we and our Hong Kong subsidiary are considered as non-PRC resident enterprises and our Hong Kong subsidiary is considered as a Hong Kong resident enterprise under the Double Tax Avoidance Arrangement and is determined by the competent PRC tax authority to have satisfied relevant conditions and requirements, then the dividends paid to our Hong Kong subsidiary by the PRC subsidiaries may be subject to the reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Notice on the Comprehension and Recognition of Beneficial Owner in Tax Treaties (《關於如何理解和認定稅收協議中“受益所有人”的通知》) issued in October 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owner and thus are not entitled to the abovementioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. If we are required under the EIT Law to pay income tax for any dividends we receive from our subsidiaries in China, or if our Hong Kong subsidiary is determined by PRC government authorities as receiving benefits from reduced income tax rate due to a structure or arrangement that is primarily tax-driven, it would materially and adversely affect the amount of dividends, if any, we may pay to our shareholders.

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

Under the PRC EIT Law and its implementation rules, enterprises that are registered in countries or regions outside the PRC but have their “de facto management body” located within China may be considered as PRC resident enterprises and are therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The implementation rules of the EIT Law define “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC resident enterprise by virtue of having its “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 conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise’s financial and human resource matters are subject to determination or approval by persons or bodies in China; (iii) the enterprise’s major assets, accounting books and records, company seals, and minutes and files of its board and shareholder meetings are located or maintained in China; and (iv) at least 50% of board members with voting rights or senior executives habitually reside in China.

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We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management bodies.” As a majority of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that our holding company is a “resident enterprise” for PRC enterprise income tax purposes, a number of PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations; in our case, this would mean that income such as the proceeds of the Global Offering and other income sourced from outside China would be subject to PRC enterprise income tax at a rate of 25%. Second, the EIT Law provides that dividends paid between “qualified resident enterprises” are exempt from enterprise income tax. It is unclear whether the dividends we receive from PRC subsidiaries will constitute dividends between “qualified resident enterprises” and would therefore qualify for tax exemption, because the definition of qualified resident enterprises is unclear and the relevant PRC government authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Third, dividends payable by us to our non-PRC resident enterprise investors and gains on the sale of shares by such non-PRC resident enterprise investors may be subject to PRC enterprise income tax at a rate of 10% and such dividends and gains earned by non-PRC resident individual investors may be subject to PRC individual income tax at a rate of 20%. It is unclear whether, if we were considered a PRC resident enterprise, our non-resident investors would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or regions.

In addition, there remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC’s tax authorities, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends to non-PRC resident individual holders of our Shares and on gains realized on the sale or other disposition of our Shares. The PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our Shares may be materially affected.

We benefit from certain preferential tax treatment, the loss of which could have an adverse impact on our results of operations and financial position.

We currently benefit from certain preferential tax treatment. One of our PRC subsidiaries, VC Financial Technology, is qualified as a high and new technology enterprise in Shanghai and therefore enjoys the preferential tax rate of 15% for its income tax from 2018 to 2020. VC Financial Technology is our main operating entity engaged in loan facilitation services. We cannot assure you that we will continue to benefit from such preferential tax treatment or that such tax policies will be extended. Expiration or changes to any preferential tax treatment, tax concessions or tax allowances applicable to us or our subsidiaries could adversely affect our financial condition.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC shareholders.

In February 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or SAT Circular 7, pursuant to which if a non-resident enterprise

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transfers the equity interests of a PRC resident enterprise indirectly by transfer of the equity interests of an offshore holding company (other than a purchase and sale of shares issued by a PRC resident enterprise in public securities market) without a reasonable commercial purpose, the PRC tax authorities have the power to reassess the nature of the transaction and the indirect equity transfer will be treated as a direct transfer. As a result, the gain derived from such transfer, which means the equity transfer price minus the cost of equity, will be subject to PRC withholding tax at a rate of up to 10%. Under SAT Circular 7, the transfer which meets all of the following circumstances shall be deemed as having no reasonable commercial purpose: (i) over 75% of the value of the equity interests of the offshore holding company are directly or indirectly derived from PRC taxable properties; (ii) at any time during the year before the indirect transfer, over 90% of the total properties of the offshore holding company are investments within PRC territory, or in the year before the indirect transfer, over 90% of the offshore holding company's total income is directly or indirectly derived from within PRC territory; (iii) the function performed and risks assumed by the offshore holding company are insufficient to substantiate its corporate existence; or (iv) the foreign income tax imposed on the indirect transfer is lower than the PRC tax imposed on the direct transfer of the PRC taxable properties.

SAT Circular 7 and its interpretation by relevant PRC authorities clarify that an exemption for transfers of shares in a publicly-traded entity that is listed overseas is available if the purchase of the shares and the sale of the shares both take place in open-market transactions. However, if a shareholder of an entity that is listed overseas purchases shares in the open market and sells them in a private transaction, or purchases shares in a private transaction and sells them in the open market, PRC tax authorities might deem such a transfer to be subject to SAT Circular 7, which could subject such shareholder to additional reporting obligations or tax burdens. Accordingly, if a holder of our Shares purchases our Shares in the open market and sells them in a private transaction, or purchases our Shares in a private transaction and sells them in the open market, and fails to comply with SAT Circular 7, the PRC tax authorities may take action, including requesting us to provide assistance for their investigation or impose a penalty on us, which could have a negative impact on our business operations. In addition, since we may pursue acquisitions as one of our growth strategies, and may conduct acquisitions involving complex corporate structures, PRC tax authorities might impose taxes on capital gains or request that we submit additional documentation for their review in connection with any potential acquisitions, which may cause us to incur additional acquisition costs or delay our acquisition timetable.

The PRC tax authorities have discretion under SAT Circular 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. We may pursue acquisitions in the future that involve complex corporate structures. If we are considered a non-resident enterprise under the EIT Law and if the PRC tax authorities make adjustments to the taxable income of these transactions under SAT Circular 7, our income tax expenses associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

Certain of our leased property interests may be defective and we may be forced to relocate operations affected by such defects, which could cause significant disruption to our business and have a negative impact on our operation and financial results.

As of the Latest Practical Date, we lease a majority of the premises used in our operations from third parties. With respect to a portion of these leased properties, the lessors failed to provide valid title certificates or authorization of sublease for our leased properties. According to PRC laws and

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regulations, in situations where a lessor lacks evidence of the title or the right to lease, the relevant lease agreement may not be valid or enforceable, and we may face challenges from third parties regarding our leasehold rights. We cannot assure you if such defects can be cured at reasonable costs, or at all. If we are required to relocate our operations due to such defects, our operations may be affected and additional relocation costs may be incurred. In addition, a majority of lease agreements have not been registered with the competent governmental authority. According to PRC laws and regulations, the failure to register the lease agreement will not affect its effectiveness between the tenant and the lessor. However, the lessor and the tenant may be subject to administrative fines of up to RMB10,000 each for such failure to register the lease.

As of the Latest Practicable Date, we are not aware of any action, claim or investigation being conducted or threatened by any third parties or the competent government authorities with respect to the defects in our leased properties. However, if we are unable to continue our operations on the current premises or find a suitable replacement on a timely basis or at reasonable costs, or if we are fined or penalized by government authorities due to our lessors' failure to register our lease agreements, our business and financial condition may be negatively impacted.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). Under such notice and other relevant rules and regulations, 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 qualified PRC agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas-entrusted institution or other material changes. 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 the Global Offering. Failure by these individuals to complete their SAFE registrations may subject us and them to fines and other legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us or otherwise materially and adversely affect our business, financial condition and results of operations. For a discussion of such rules on stock incentive plans, see the section headed "Regulations—Regulations Relating to Stock Incentive Plans."

In addition, SAT, has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares 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

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laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

It may be difficult to effect service of process upon us, our Directors or our executive officers that reside in China or to enforce against them or us in China any judgments obtained from non-PRC courts.

We conduct our major operations in China, and substantially all of our assets are located in China. In addition, a majority of our Directors and executive officers reside outside of Hong Kong. As a result, it may be difficult for investors to effect service of process upon those persons within Hong Kong upon us or these individuals or to enforce against us or them in Hong Kong in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, because there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws.

Even if you are successful in bringing an action against us or our Directors or officers, the laws of China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible. In July 2006, the PRC Supreme People's Court and the Government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), which took effect in August 2008. Pursuant to such arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. Although this arrangement became effective in August 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no previous public market for our Shares, and the liquidity and market price of our Shares may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares resulted from negotiations between us and the Joint Global Coordinators (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange. We cannot assure you that the Global Offering will result in the development of an active trading market for our Shares, or if such a trading market does develop, it will be sustained following the completion of the Global Offering. In addition, the market price of

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our Shares may decline below the Offer Price. Furthermore, the price and trading volume of our Shares may be volatile. The following factors may affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our total income and results of operations;
- changes in earnings estimates or recommendations by financial analysts;
- news regarding the recruitment or loss of key personnel by ourselves or our competitors;
- potential litigation or regulatory investigations;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lockup or other transfer restrictions on our Shares, or sales or perceived sales of Shares by us or other shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated, or not directly related, to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our Shares.

Since there will be a gap of several days between the pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before the trading of our Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of sale and the time trading begins.

Future sales or perceived sales of substantial amounts of our Shares in the public market could cause the prevailing market price of our Shares to fall.

The market price of our Shares could decline as a result of substantial future sales of our Shares or other securities relating to our Shares in the public market. Such a decline could also occur with the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Certain amounts of our Shares currently outstanding are and will be subject to contractual and legal restrictions on resale for a period of time following the completion of the Global Offering. Future sales, or perceived sales, of substantial amounts of our Shares could materially adversely affect the prevailing market price of our Shares and our ability to raise future capital at a favorable time and price. Our shareholders would experience a dilution in their holdings upon the issuance or sale of additional Shares or securities relating to our Shares for any purpose.

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Because the initial public offering price of our Shares is substantially higher than the consolidated net tangible book value per share, you may experience immediate and substantial dilution.

As the Offer Price of our Shares is higher than the consolidated net tangible assets per share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their Shares. In addition, holders of our Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional Shares in the future to raise additional capital.

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

The trading market for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who cover us downgrade our Shares or publish inaccurate or unfavorable research about our business, the market price for our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our Shares to decline.

We have granted, and may continue to grant, share options, which may result in our increased share based compensation expenses and dilution to your shareholding and earnings per share.

We adopted the Pre-IPO Share Option Schemes and the Post-IPO Share Option Scheme, for the purpose of granting share-based compensation awards to employees, directors, and consultants to incentivize their performance and align their interests with ours. For further detailed information, please refer to “Statutory and General Information—Share Option Schemes.” For the years ended December 31, 2015, 2016 and 2017, we recorded RMB1.2 million, RMB19.4 million, and RMB10.1 million, respectively, in share-based compensation expenses. We estimate that we will recognize share-based compensation of approximately RMB300 million for the year ending December 31, 2018 in relation to the options under the Pre-IPO Share Option Schemes. Such estimate was arrived at based on the fair value of the relevant options at the time of grant, which was computed using variables and assumptions based on our Directors’ current best estimate. Changes in such variables and assumptions may result in changes in the fair value of the relevant options, which will in turn affect the actual amount of share-based compensation we will recognize. Therefore, the actual amount of share-based compensation we will recognize in relation to the relevant options may differ from such estimate. We will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

As of the Latest Practicable Date, we had granted options to a total of 198 grantees. The total number of Shares represented by such options is 225,957,223, representing approximately 45.44% of the issued share capital of our Company (calculated on the basis of the enlarged share capital of our Company immediately following the completion of the Global Offering without taking into account the exercise of the Over-allotment Option or any share options granted under the Pre-IPO Share Option

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Schemes). The options under the 2017 ESOP II are divided into three tranches, being series A, series B, and series C options. The vesting of each tranche of the options is conditional upon, among other things, the final Offer Price. In the event of the vesting and exercise of such options, you may, as a result, experience dilution to your shareholding and earnings per share. Based on the Offer Price range of HK\$20.00 to HK\$23.00 per Offer Share, the series B and series C options granted pursuant to the 2017 ESOP II will lapse upon Listing. Therefore, the total number of Shares that may be issued pursuant to the exercise of share options granted under the 2016 ESOP, 2017 ESOP I and 2017 ESOP II series A represents approximately 18.81% of the issued share capital of our Company (calculated on the basis of the enlarged share capital of our Company immediately following the completion of the Global Offering without taking into account the exercise of the Over-allotment Option or any share options granted under the Pre-IPO Share Option Schemes). For a detailed discussion, see the section headed “Statutory and General Information—Share Option Schemes” in Appendix IV.

Because we do not expect to pay dividends in the foreseeable future after the Global Offering, you must rely on price appreciation of our Shares for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after the Global Offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends out of profits or share premium, and provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Board. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the Global Offering or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

The approval of the China Securities Regulatory Commission may be required in connection with this offering under PRC law.

The M&A Rules requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the CSRC, prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and the Global Offering may ultimately be deemed to require approval from the CSRC. If CSRC approval is required, it is uncertain whether it would be possible for us to obtain the approval and any failure to obtain or delay in obtaining CSRC approval for the Global Offering would subject us to sanctions imposed by the CSRC and other PRC regulatory authorities.

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Our PRC Legal Advisor has advised us that, based on its understanding of the current PRC laws and regulations, unless new laws and regulations are enacted or CSRC publishes new provisions or interpretations on the M&A Rules in the future, we will not be required to submit an application to the CSRC for the approval of the listing and trading of our Shares on the Hong Kong Stock Exchange because (i) our PRC subsidiaries were established by foreign direct investment, rather than through a merger or acquisition of equity interest or assets of such PRC domestic companies; and (ii) the overseas special purpose vehicle formed for listing purposes and our PRC subsidiaries are controlled and beneficially owned by Hong Kong permanent residents rather than PRC entities or individuals.

However, we cannot assure you that relevant PRC government authorities, including the CSRC, would reach the same conclusion as our PRC Legal Advisor. If the CSRC or other PRC regulatory authorities subsequently determines that we need to obtain the CSRC's approval for the Global Offering, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this offering into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the trading price of the Shares. The CSRC or other PRC regulatory authorities also may take action requiring us, or making it advisable for us, to halt the Global Offering. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approval for the Global Offering, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding such approval requirement could have a material adverse effect on the trading price of the Shares.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law.

Our corporate affairs are governed by our memorandum and articles of association, the Cayman Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by our minority Shareholders and the fiduciary duties 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 the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary duties of our Directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some other jurisdictions. In particular, the Cayman Islands have a less developed body of securities laws and corporate law compared to some other jurisdiction.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our Directors will have discretion under the post-offering memorandum and articles of association we expect to adopt, to determine whether or not, and under what conditions, our corporate records may be inspected by our Shareholders, but are not obliged to make them available to our Shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder resolution or to solicit proxies from other shareholders in connection with a proxy contest.

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

Some facts, forecasts and statistics contained in this prospectus with respect to China, Hong Kong and their economies and our relevant industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date, and statistics in the prospectus provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the “Industry Overview” section.

This document, particularly in the sections headed “Industry Overview” and “Business” contain some facts, forecasts and statistics relating to China, Hong Kong and their economies and consumer finance market that are derived from a third-party report commissioned by us and other official or third-party sources. While we have exercised reasonable care in compiling and reproducing these facts, forecasts and statistics, they have not been independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers, advisors or representatives. Therefore, we make no statement on the accuracy or reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside these jurisdictions and may not be complete or up to date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Moreover, there is no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. You should consider carefully as to how much weight or importance you place on such facts, forecasts or statistics.

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.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and 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. Such press and media coverage may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering that do not appear in this document. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such press or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of such information or publication. To the extent such information is inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them and you should not rely on such information.