OUR MISSION

Our mission is to provide under-served borrowers with readily accessible, tailored, and fairly priced solutions.

OVERVIEW

We are a leading independent online consumer finance service provider in China. According to the Frost & Sullivan Report, as of December 31, 2017, we are one of the top 10 independent online consumer finance service providers in China, and our *KK Credit* (維信卡卡貸) product line ranked No. 1 in China's credit card balance transfer market with an approximately 16.4% market share, both in terms of the balance of outstanding principal of loans. We offer tailored consumer finance products to prime and near-prime borrowers who are under-served by traditional financial institutions. We offer consumer finance products primarily by originating transactions between borrowers and traditional financial institutions through three funding structures, and, to a lesser extent, we directly lend to borrowers. For the years ended December 31, 2015, 2016, and 2017, we originated RMB3.53 billion, RMB7.87 billion and RMB24.54 billion of loans, respectively, representing a CAGR of 163.7%. Some of our defining characteristics that we believe are critical to our success include:

- focus on borrowers with income and existing official credit records;
- centered on "credit-plus-alternative" data;
- effective risk-based pricing capabilities;
- sustainable, license-driven business model; and
- long-standing funding partnerships with licensed financial institutions.

We have developed a range of multi-dimensional scorecards for credit risk quantification, primarily based on our analytics of consumer credit data from the CCRC, which maintains China's national commercial and consumer credit reporting system. We supplement our analytics of credit data with analytics of alternative data aggregated from a wide variety of sources to further strengthen our scorecards. We offer tailored credit products based on borrower risk profiles and user cases where credit is needed, and have accumulated a wealth of industry know-how and experience that have been tested at different stages of the economic cycle. We believe that a tailored credit product offering is the most sustainable way to serve our users, maintain and advance our position in China's growing online consumer finance market, and manage our credit risk exposure.

Consistent with our business approach, we target prime and near-prime borrowers who typically have bank accounts (which we rely on for future income prediction) and credit cards (which we rely on for credit record checks) but are under-served by traditional financial institutions. We identify target borrowers who satisfy our pre-determined credit thresholds primarily based on our direct, real-time, and officially authorized read-and-write access to the CCRC consumer credit database of approximately 900.0 million consumers as of December 31, 2016. As of the Latest Practicable Date, we had 52.2 million registered users, of which 36.4 million had their identities verified by us. During the Track Record Period, we provided credit products to approximately 2.5 million borrowers in approximately 4.8 million loan transactions. As consumer credit penetration and credit infrastructure coverage further develop in China's fast-growing online consumer finance market, we believe that our addressable core market will continue expanding rapidly.

We continue strengthening our granular risk-based pricing capabilities to support our tailored credit product offerings and expand our user base. We have developed our proprietary core risk management system, *Hummingbird*, to perform various risk management functions, including four major tasks: identity verification, fraud detection and prevention, debt-to-income ratio assessment, and credit risk quantification. For a discussion of *Hummingbird*'s capabilities and its core engines, see the section headed "—Proprietary Technology—Hummingbird." Our debt-to-income ratio assessment process uses predictive models to predict a borrower's future income amounts, and checks the borrower's other liabilities to determine the appropriate credit limit for us to grant the borrower. We perform credit risk quantification through scorecards, or essentially credit scoring models, which are a type of models specifically designed to quantify credit risk with scores. Our debt-to-income ratio assessment and credit risk quantification form the basis of our granular risk-based pricing for each borrower. Many of our competitors use a binary approve-or-reject decisioning approach, which offers the same price to all approved borrowers and sets a relatively high rejection threshold to exclude marginally creditworthy applicants. In contrast, our granular risk-based pricing capabilities enable us to offer differentiated prices based on approved borrowers' risk profiles, which allows us to attract more price sensitive prime and near-prime borrowers, who are under-served by traditional financial institutions and lack competitively priced alternative financing solutions. As a result, we believe that we can efficiently approach prospective borrowers in our target market segment. Moreover, our granular risk-based pricing capabilities provide us with greater flexibility to adapt to changes in market and credit conditions.

We collaborate with a wide variety of business partners in joint modeling and precision marketing to enhance our data analytics and credit decisioning capabilities. We collaborate on joint modeling programs with several Chinese Internet technology conglomerates that have massive volumes of alternative data and desire to improve the effectiveness of their credit scoring models. In these collaborations, we (i) bring our proprietary industry know-how and a general portrait of our borrowers, (ii) examine the effective variables previously used by our business partners' credit scoring models (as opposed to outputs such as standardized reports or credit scores), (iii) compile and test customized credit scoring models specifically tailored to the user cases that we jointly determine with our business partners, and (iv) periodically re-examine and update the jointly developed credit scoring models to maintain their effectiveness. As we get regular access to the effective variables of our business partners' credit scoring models and work together to develop and maintain customized credit scoring models, our collaborations with our business partners allow us to expand our experience in designing and selecting different types of effective variables under different user cases and enhance our overall modeling capabilities. We believe that these joint credit modeling programs foster trust with our business partners for ongoing and deeper cooperation. Our close relationships with our business partners demonstrate their recognition of our capabilities in developing and customizing credit scoring models. We also carry out precision marketing programs with several leaders in various Chinese Internet industries that have readily identifiable user cases for consumer finance services. For a discussion of our collaboration with business partners and a case study on our most comprehensive collaboration with one of our business partners, see the sections headed "—Our Products and Services—Collaboration with Business Partners" and "—Case Studies—Collaboration with Baidu FSG."

We primarily offer three lines of credit products: credit card balance transfer products, consumption credit products, and online-to-offline credit products, all of which are installment-based. We have developed these products based on our knowledge of China's evolving online consumer finance market, and they can be tailored to the individual needs and different credit profiles of borrowers according to our multi-dimensional scorecards.

- *Credit card balance transfer products*. Our credit card balance transfer products bridge the credit card holders' short-term liquidity management needs by (i) allowing them to transfer the outstanding balances of their credit cards to our installment credit products and (ii) paying off the outstanding balances of their credit cards by directly remitting funds to the relevant credit card accounts.
- *Consumption credit products*. Our consumption credit products provide consumers with a variety of installment credit solutions tailored for specific user cases. We collaborate with our business partners in understanding consumers' needs and design scorecards tailored for specific user cases, such as shopping with online retailers and marketplaces, booking with online travel agencies, spending on online entertainment, socializing in online communities, and paying for bills and additional services for mobile telecommunications service providers.
- *Online-to-offline credit products*. Our online-to-offline credit products primarily serve consumers' larger financing needs. For these products, we require additional risk management procedures at our offline outlets to enhance our credit risk control, including requiring in-person interviews, examination of hardcopies of identification documents, and video recording of applicant interviews.

We have formed and maintain long-standing relationships with licensed financial institutions as our funding partners. During the Track Record Period, over 99% of the loans originated by us were granted by our small loan companies or funded by or structured through licensed financial institutions, including primarily banks and trust companies, and as of the Latest Practicable Date for the products we offered this percentage was 100%. We believe that our relationships with our funding partners are mutually beneficial. We provide our funding partners with tailored solutions at varying levels of risk discretion that they can use to alter their risk and return profile into under-served prime and near-prime borrowers, which they may be unable to otherwise reach through traditional products or business models. For strategically important funding partners, we also help them enhance their risk management systems by using our credit assessment technologies.

Our funding structures primarily include direct lending, trust lending (where a trust plan set up by a trust company lends the money and we subscribe to a subordinated tranche of the trust plan and guarantee the loans lent by the trust plan), credit-enhanced loan facilitation (where we guarantee the loans that we facilitate), and pure loan facilitation (where we neither fund nor guarantee the loans that we facilitate). We participate in all of our funding structures in a sustainable and scalable manner by leveraging funds from or structured through our funding partners, selectively allocating our own funds, or providing full or partial loan guarantee. Since 2017, we have been further promoting our pure loan facilitation structure to develop toward a capital-light business model. Under this structure, loans originated by us are neither funded with our own capital nor guaranteed by us, and the relevant funding partners take more active roles in lending execution and risk and liability management. For the year ended December 31, 2017, our direct lending, trust lending, credit-enhanced loan facilitation, and pure loan facilitation structures accounted for approximately 5.1%, 79.4%, 11.9%, and 3.6% of our total loan origination volume, respectively.

Our total income increased from RMB1.06 billion for 2015 to RMB1.43 billion and RMB2.71 billion for 2016 and 2017, respectively, representing a CAGR of 59.6%. Our operating loss was RMB152.4 million and RMB349.8 million for 2015 and 2016, respectively, and we recorded operating profit of RMB347.4 million for 2017. We recorded net loss of RMB303.1 million, RMB565.1 million, and RMB1.00 billion for 2015, 2016, and 2017, respectively. Excluding the impact of fair value loss of our Preferred Shares and share-based compensation expenses, we had adjusted net loss of RMB155.3 million and RMB275.1 million for 2015 and 2016, respectively, and we had adjusted net profit of RMB292.5 million for 2017. For further details of our adjusted net (loss)/profit, see the sections headed "Financial Information—Consolidated Income Statement" and "Financial Information—Non-IFRS Measures."

OUR COMPETITIVE STRENGTHS

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

Leading market position with proven track record and unique market focus

We have a proven operating track record of over 10 years, which helped establish our market leadership today. We condense our extensive industry know-how and insights into our "credit-plus-alternative" data approach and granular risk-based pricing capabilities. To effectively execute these approach and capabilities, we centrally organize our credit assessment and operations, which is evidently demonstrated by our *Hummingbird* system. While we operated primarily as an offline service provider in our early years, our centralized credit assessment and operations have allowed us to substantially complete our transformation into online operations in less than one year, and establish well-recognized brands in China's online consumer finance market, particularly among credit card holders through our *KK Credit* product line. According to the Frost & Sullivan Report, our *KK Credit* product line ranked first in China's credit card balance transfer market with an approximately 16.4% market share in terms of the balance of outstanding principal of loans as of December 31, 2017. Since our inception, we have experienced varying economic conditions and ongoing regulatory developments, and through these challenges we have proven our ability to adapt our business to manage the challenges when necessary. We believe that our confidence in persistently developing our credit assessment and operations and keeping them centralized since our early years have contributed to our successful transformation and adaptation into an online consumer finance business.

We focus on under-served prime and near-prime borrowers to capture their long-term growth potential. By leveraging our granular risk-based pricing capabilities, we are successful in targeting a subset of these borrowers who satisfy our credit and risk criteria with competitively priced credit products while controlling our credit risk exposure. In addition to providing these borrowers with more financial flexibility, our solutions also provide them with opportunities to build and maintain their credit records.

We believe that our long-term track record, brand recognition, proven adaptability and sustainable business model help foster trust in us among our business partners and our funding partners. This, together with our focus on a highly attractive borrower segment, enables us to carry out our strategies with a long-term perspective.

As of December 31, 2017, we had 48.4 million registered users, of whom 34.1 million had their identities verified by us. In December 2017, we originated RMB1.60 billion of loans in approximately 206,000 loan transactions with our borrowers.

Robust credit risk management capability enhanced by cutting-edge technology

For over a decade, we have developed a robust credit risk management system to control our credit risk exposure throughout the loan cycle. In 2015, 2016, and 2017, we incurred RMB14.7 million, RMB30.0 million, and RMB74.4 million in research and development, to attract and retain technology talent to develop and improve our cutting-edge technology, as well as to acquire advanced software development tools such as model builders and decision-rules management systems. We believe that our technology-based ability to assess, price and manage credit risk is critical to our operations and long-term success.

We are one of the few independent online consumer finance service providers with direct, real-time, and officially authorized read-and-write access to the CCRC consumer credit database, which distinguishes us from our competitors. We have secured this access because we have licensed small loan companies and financing guarantee company that are eligible to apply for access to, and meet with strict assessment criteria of, the CCRC consumer credit database. During the Track Record Period, we were charged aggregate fees of approximately RMB4.7 million for access to the CCRC consumer credit database. By using credit data from the CCRC, which we believe is the most relevant and timely data for credit assessment, we have maintained the integrity of our credit assessment procedures and enhanced the quality of our credit decisioning. In addition, our direct write-access to the CCRC credit records allows us to provide credit feedback based on the performance of repayment of loans and loan servicing efforts of the borrowers, and also serves as a means to ensure that borrowers take their debt obligations seriously. As a detailed assessment of our data integrity was undertaken by the CCRC before we were granted instant and direct read-and-write access as a non-CBRC-licensed consumer finance service provider, we believe that our creditability is enhanced and financial institutions are more likely to trust and establish business partnerships with us as a result of this assessment.

Our proprietary core risk management system, *Hummingbird*, applies big data and machine learning technologies to analyze credit data and alternative data and had over 50 unique scorecards as of the Latest Practicable Date. This scorecard-oriented modeling capability is the foundation of our credit risk management system, because it makes granular risk-based pricing possible. These technologies enable us to screen prospective borrowers and offer them highly relevant credit products at competitive prices. When faced with a changing economic climate or a rapidly changing regulatory environment, we can leverage our centralized operations to quickly adjust our credit decisioning and pricing parameters. We also continuously sample-test, validate and optimize our scorecards to capture expanding data, changing borrower behavior and market evolvement. This approach is not only essential to maintaining credit risk control but also allows us to maintain high levels of user engagement.

To approve larger credit products or certain borrowers with higher credit risk, we conduct additional risk management measures in our offline outlets. We also maintain an in-house loan servicing team to ensure an effective and compliant collection process.

Deep collaboration with business partners delivering valuable data and efficient access to borrowers

We have deep collaborations with our business partners in the areas of joint modeling and precision marketing. For example, we entered into extensive joint modeling programs with a number of leading Chinese Internet technology conglomerates, providing us with access to valuable data types and user cases that are otherwise not commercially available. These programs involve the development of customized scorecards tailored to our partners' user cases, combining valuable data from our partners with our know-how and technology-driven credit scoring modeling capabilities. The additional exposure to our business partners' operations enriches our modeling know-how and scorecard development experience, helping us refine our risk-based pricing and credit decisioning capabilities. This ultimately helps us develop even more tailored credit products for specific borrower groups and gain efficient access to borrowers.

These collaborations are also highly valuable to our business partners, as we provide them with opportunities to increase their commercial traffic and enhance interaction with their target customers. Most of our collaborations require significant commitment and investment of time and resources from our business partners. In addition, we believe that the sustainability of our collaborations is further enhanced by an alignment of economic interests between us and our business partners.

Long-term partnerships with licensed financial institutions providing access to sustainable and scalable funding

We have formed solid long-term partnerships with licensed financial institutions, which we believe trust our prudent business approach, our sustainable business model, and our insight on market development in China's fast-evolving online consumer finance market. Using our trust lending, credit-enhanced loan facilitation, and pure loan facilitation structures, we provide our funding partners with solutions at varying levels of risk discretion and flexible profit sharing arrangements. These arrangements allow them to expand their risk and return profile into under-served prime and near-prime borrowers, which they may otherwise be unable to reach through traditional products or business models. As of the Latest Practicable Date, we partnered with 18 funding partners, including banks, trust companies, and other financial institutions. These sources of diversified and stable funding support the scalability of our business.

Since 2017, we have been further promoting our pure loan facilitation structure to fund our credit products, which allows us to progressively work towards capital-light operations. As we expand our use of our pure loan facilitation structure, we expect to develop increasingly immersive partnerships with our funding partners to support the deep integration between, and alignment of, our risk-based pricing capabilities and our funding partners' in-house risk management systems. Through this structure, we are commercializing *Hummingbird* to offer integrated credit risk assessment services to our funding partners. For a discussion of our integrated collaboration efforts with our funding partners, see the section headed "—Our Product and Services—Services to Funding Partners." These initiatives are also consistent with the recent PRC regulatory trend requiring financial institutions to assume greater risk management obligations in lending. We believe this lending structure creates mutual benefits in terms of proactive risk management for our funding partners and capital efficiency for us.

Experienced management team with structured talent acquisition

We benefit from the rich experience of our co-founders and senior management team in the banking and financial services industry. Through our operating history of over a decade, we have cultivated a cohesive corporate culture that respects the credit cycle, understands credit risk, promotes sustainable and prudent growth, and encourages innovation. A majority of our senior management team members had substantial experience in the banking and financial services industry prior to joining us. Imbued with a credit-risk-centric mentality, our senior management team believes that finance is the core of financial technology and that risk management is the core of finance. This mindset is demonstrated by our outstanding business acumen for risk-based pricing and the highest priority that we place on risk management in our operations. We believe that a prudent management style prepares us to succeed through all stages of the economic cycle.

To attract, retain and motivate talent to drive our growth, we have established structured talent acquisition and training programs. We attract specialists in both the financial services and technology industries to develop our strategies and achieve growth milestones. We also recruit young talent through our carefully organized management trainee program, and we encourage home-grown talent with systematic training programs. Our junior employees have rotation opportunities within our organization and are typically given responsibilities early. During the Track Record Period, the attrition rate of our staff who had participated in our management trainee programs was less than 10%. We are confident in building upon the successes that we have achieved so far and further enhancing our leading position in China's rapidly growing online consumer finance market.

OUR STRATEGIES

We will execute the following strategies to further expand our business.

Continuously strengthen our risk-based pricing capabilities

The core building block of our business is our risk-based pricing capabilities. We intend to continuously build on our substantial know-how in data processing, variable deducing, feature engineering and scorecard development to strengthen our risk-based pricing capabilities. To maintain our leading position in data analytics, we will continue to invest in both the advancement of our data technology and our acquisition of data analytics professionals. Leveraging our advanced risk-based pricing capabilities, we will offer commercial risk control and credit assessment services, initially to our funding partners, in connection with our pure loan facilitation funding structure. For a discussion of our data analytics and risk-based pricing capabilities, see the section headed "—Proprietary Technology—Hummingbird."

We intend to strengthen our "credit-plus-alternative" data approach to strategically place us in a unique position to collaborate with financial institutions while maintaining our advantages over our competitors. Although financial institutions are proficient in using the CCRC credit database in their operations, they have limited flexibility in granting and pricing credit due to their lack of ability in applying alternative data analytics. Our competitors generally have abundant amount of alternative data, but only a few of them have the direct, real-time, and officially authorized read-and-write access to the CCRC consumer credit database to conduct orthodox credit assessments. Since we have a level of access to the CCRC consumer credit database similar to that of financial institutions and we also have robust alternative data analytics capabilities, our collaborations with funding partners and business partners can be mutually beneficial. While maintaining our focus on CCRC credit data, we will also continue to expand our access to alternative data to supplement our credit data as well as to retain cross-check redundancy to maintain the integrity of our alternative data.

We will deepen our collaboration with our business partners in joint modeling and precision marketing. These collaborations will continue to be structured on a long-term, profit-sharing basis, with sufficient mutual incentives so that we can continue our periodic re-examination and update of jointly developed credit scoring models to maintain their effectiveness.

As we develop deeper experience in handling effective variables and feature engineering, we intend to increase the dimensions of our scorecard inventory. The scorecards we develop are the cornerstone of our risk-based pricing capabilities, and increasing the diversity and dimensions of our scorecards helps us to further improve the accuracy of our risk-based pricing capabilities.

Expand our borrower base by enriching our tailored product offerings that track our scorecard development

We continue to target China's under-served prime and near-prime borrowers and intend to expand our borrower base by offering more tailored credit products to unlock previously unaddressed market segments. Our product development tracks our scorecard development, which is consistent with our "credit-plus-alternative" data approach. We typically do not launch a new credit product without an appropriate set of scorecards. As of the Latest Practicable Date, we had over 50 unique scorecards, each of which has been developed, tested, applied, refined and updated throughout our operations. While our development of scorecards requires significant time and data for sampling and testing, we believe that a finalized scorecard, which we have developed through this process, demonstrates our comfort in executing risk management and in pricing our credit products in correspondence with the relevant scorecards. We develop our scorecards by aiming at matching specific user cases, which allows us to further increase our market penetration while controlling our overall risk exposure. We also intend to continue to improve the reliability of our models and scorecards by enhancing our data processing engines and enriching our supply of alternative data, so that we will be able to enhance our capability to accept more applications.

Increase our value proposition to our existing borrowers

We believe that our existing borrowers are integral to our continuing success, because we have already verified their identities and have assessed and have first-hand knowledge of their creditworthiness. We intend to increase our value proposition to our existing borrowers to encourage and retain their continued and increased spending on our products and services.

For our existing borrowers, we can introduce additional user-case-based credit products to uncover their additional consumption needs, further increase transaction volume and enhance our ability to retain them as borrowers. In addition, we intend to provide integrated one-stop services for our existing borrowers to further enhance their engagement and loyalty. Since January 2018, we have been offering standalone paid membership services on our product mobile apps to registered users, such as *KK Credit App*, which allows registered users to enjoy our services such as comprehensive credit self-assessment, credit card online management, and credit card benefit alerts services. We intend to seek further participation in the consumer finance market by pursuing opportunities that will allow us to secure more licenses pertinent to our business, such as a consumer financial company license.

Strengthen mutually beneficial relationships with our funding partners and work towards a capital light operation

We will strengthen our mutually beneficial relationships with our funding partners to ensure the scalability, stability and sustainability of our funding. We intend to incentivize our funding partners to utilize our credit assessment technology and select suitable funding structures. Meanwhile, we will actively diversify our institutional funding partners beyond banks and other financial institutions. We will continue to empower our funding partners' risk management systems with our proprietary credit assessment technology. By demonstrating our advanced risk-based pricing capabilities, we will work to convince more of our funding partners to adopt the pure loan facilitation structure, under which we do not fund loans with our capital or provide a loan guarantee. We will also explore other innovative funding structures within the PRC regulatory framework to work towards a capital light operation.

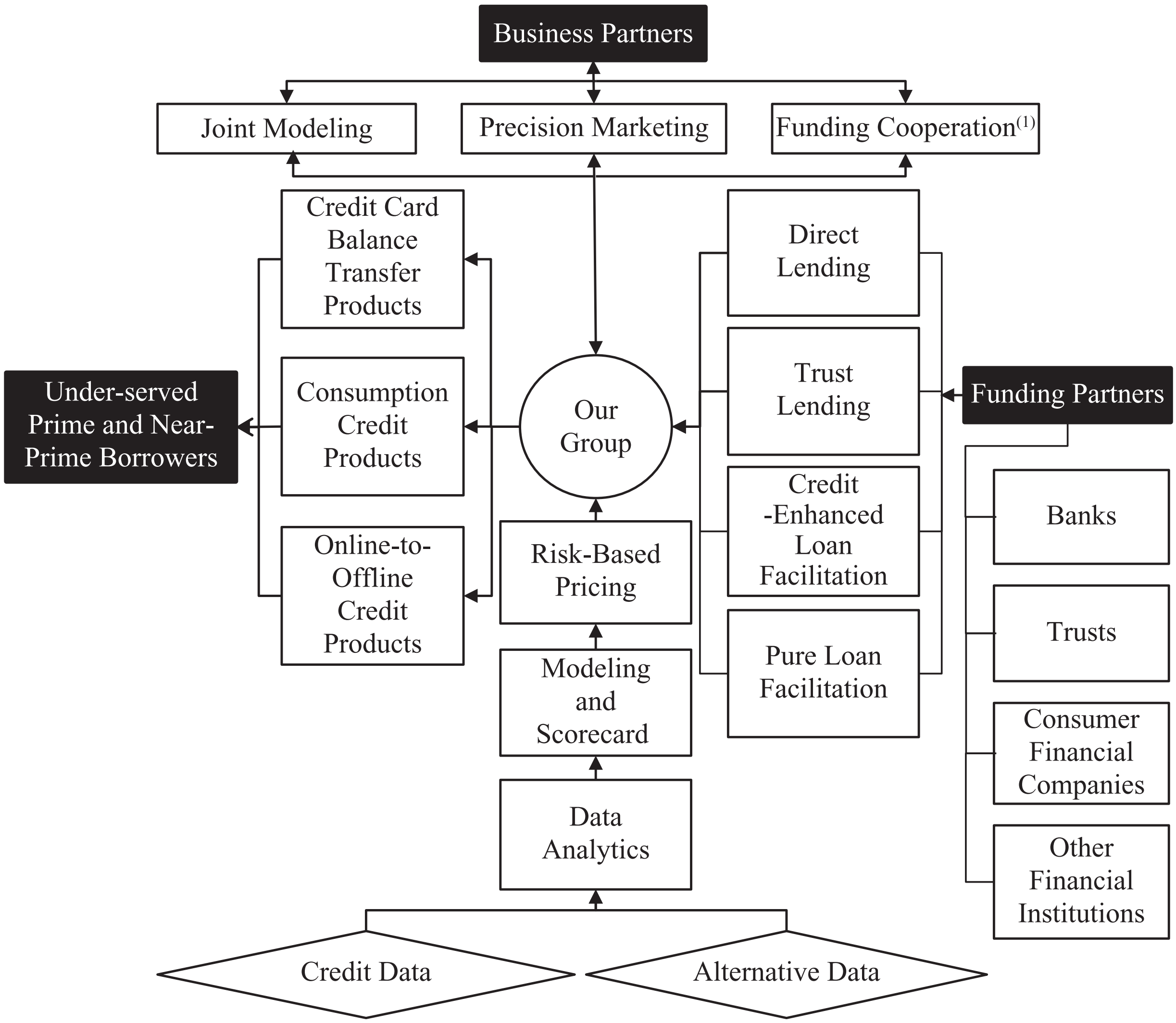
Continuously retain and attract exceptional employees

We intend to devote substantial efforts in attracting and retaining talent from both the financial services and technology industries to effectively compete in China's rapidly evolving online consumer finance market. Leveraging our experience in executing our management trainee programs, we will further implement our management trainee programs to train and mentor our employees and support their personal development. We will continue to delegate early responsibilities to our employees, allowing them to drive the growth and innovation of our business.

OUR BUSINESS APPROACH

We build and expand our online consumer finance business upon our belief that finance is the core of financial technology and that risk management is the core of finance. We use a "credit-plus-alternative" data approach to establish and develop our granular risk-based pricing capabilities. Leveraging these capabilities, we envision serving a subset of the general borrower population to maintain a controlled level of credit risk exposure and maximize profit opportunities. Through this approach, we identify under-served prime and near-prime borrowers as our target borrower base. Within this target borrower base, we develop multi-dimensional scorecards to offer credit products tailored to specific subsets of these borrowers that demonstrate features we can apply to quantify credit risk. We match the funding needs for these products primarily by engaging our funding partners through sustainable and scalable funding structures. We have developed these funding structures in reliance on our granular risk-based pricing capabilities to ensure that the connections between our target borrowers and our funding partners are aligned with our credit risk management. In addition to our funding partners, our business partners have become increasingly important to maintaining the effectiveness of our scorecards and expanding our reach to target borrowers. At the same time, we believe that we have become increasingly attractive to our business partners for collaborations in joint modeling, precision marketing and pursuing other consumer finance-focused opportunities. At the center of the online consumer finance value chain, we provide efficient solutions to address the credit needs of under-served prime and near-prime borrowers, enable our funding partners to alter their risk-and-yield profile to these borrowers, and optimize the effectiveness of scorecards by collaborating with our business partners.

OUR BUSINESS APPROACH



Note:

(1) As of the Latest Practicable Date, none of our collaborations with our business partners involved any funding cooperation. We have been exploring opportunities of funding cooperation with Baidu FSG. As of the Latest Practicable Date, we had not implemented any funding cooperation with Baidu FSG. For further details, see the section headed "—Case Studies—Collaboration with Baidu FSG."

We envision long-term relationships with each category of participants in our business through our continuing technological innovation on consumer credit solutions. We offer differentiated value propositions for each category of participants.

- *Value proposition to borrowers*. We target prime and near-prime borrowers who typically have bank accounts and credit cards but are under-served by traditional financial institutions. We provide these borrowers with price-competitive credit solutions that are either unavailable to them or are overpriced under the binary approve-or-reject decisioning system used by many of our competitors. By using our products, these borrowers also have opportunities to develop solid, official credit records, because we have direct-write access to the CCRC consumer credit database.

- *Value proposition to business partners*. We promote sustainable and mutually beneficial collaborations with our business partners. Our joint modeling and precision marketing programs lead to technological experience exchange. Our business partners benefit from better and more relevant credit scoring models to work with and to specifically address the user-cases presented.

- *Value proposition to funding partners*. We provide our funding partners with tailored solutions at varying levels of risk discretion to expand their risk and return profile into under-served prime and near-prime borrowers, which they may be unable to otherwise reach through traditional products or business models.

We believe that we provide meaningful contributions to the continuing growth and expansion of the online consumer finance value chain. Borrowers who have particular credit histories and needs and are under-served by traditional financial institutions are attracted to us for our readily accessible, fairly priced, and tailored credit products. Funding partners with particular preferences for borrower risk profiles are attracted to us because we can provide them with access to profit opportunities with reasonable levels of certainty. As more under-served prime and near-prime borrowers become our loyal customers, we expect to collaborate with more funding partners who are looking to lend to our customer base. The more credit lending transactions that are handled through us, the more attractive we may become for business partners to carry out joint-modeling with us. And as we work with more business partners, a larger alternative data repository will help our credit data analytics and enhance our overall credit technological innovation, which may ultimately expand the depth of our virtuous business circle and the amount of transactions through our platform.

PROPRIETARY TECHNOLOGY

We are a technology-driven company, and we develop proprietary technology to enhance the efficiency of consumer credit delivery within the online consumer finance value chain. Substantially all of our proprietary technology has been integrated into one comprehensive system: *Hummingbird*. We use *Hummingbird* to apply over a decade of proprietary industry know-how and growing expertise to practice "smart lending" through a centralized delivery model. We believe that our persistence in centralized operations, as strengthened by our proprietary technology, has contributed to our swift, successful transformation and adaptation into an online consumer finance business.

Hummingbird

Major Tasks

We use *Hummingbird* to perform four major tasks: identity verification, fraud detection and prevention, debt-to-income ratio assessment, and risk quantification.

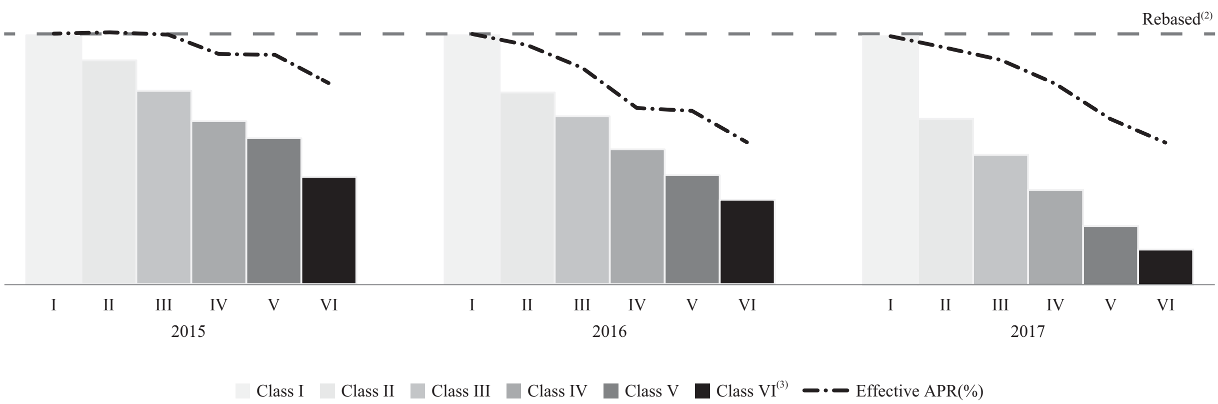
- *Identity verification*. *Hummingbird*'s identity verification module uses OCR technology to instantly read the information on loan applicants' PRC national identification cards and verify their authenticity. *Hummingbird* also uses facial recognition technology to read loan applicants' real-time facial images submitted online as an additional factor in identity verification. *Hummingbird* cross-checks the output of these measures against real-name sources maintained by mobile telecommunication operators and bank card issuers. With loan applicants' proper authorization, *Hummingbird* cross-checks the authenticity of the identity information against additional identity information from sources such as third-party online payment service providers and online retailers as an optional layer of verification.

- *Fraud detection and prevention*. *Hummingbird*'s fraud detection and prevention module is connected to our proprietary blacklists for individuals and enterprises as well as third-party anti-fraud databases. It primarily operates through *Hummingbird*'s anti-fraud engine, which screens loan applicants to detect potential fraud. For a discussion of *Hummingbird*'s anti-fraud engine, see the section headed "—Proprietary Technology—Hummingbird—Core Models and Engines—Anti-fraud engine."
- *Debt-to-income ratio assessment*. *Hummingbird*'s debt-to-income ratio assessment module works in parallel with its risk quantification module to assess loan applicants once they have passed their preliminary credit assessment. This module functions through debt assessment and income prediction. Debt assessment is primarily based on loan applicants' debt and other fixed expenses reported on their official credit records. Loan applicants' income prediction is calculated by our predictive model based on a number of verifiable records of the loan applicants such as the status of their social security fund and housing fund contributions, salary payments on bank cards, mortgage loan repayments, and credit card limits. Income prediction also factors in other effective variables with respect to qualitative attributes of loan applicants such as their occupations and online consumption patterns. Before finalizing the income prediction, *Hummingbird* cross-analyzes any interim results of income prediction against the highest credit limit recorded in the relevant loan applicant's official credit records and determines whether the interim results of income prediction is reliable and whether any adjustment is necessary. Once the results of debt assessment and income prediction are finalized, *Hummingbird* calculates the loan applicant's debt-to-income ratio, which is essential to determine the credit limit and credit term that we can offer to a borrower.
- *Risk quantification*. *Hummingbird*'s risk quantification module is critical for our credit assessment and risk-based pricing capabilities. We achieve risk quantification through our development of proprietary, multi-dimensional scorecards. For a discussion of *Hummingbird*'s scorecard engine, see the section headed "—Proprietary Technology—Hummingbird—Core Models and Engines—Scorecard engine."

We track the performance of loans we originated throughout the terms of these loans, which are typically one to three years. We refer to the loans originated during a specified period as a "cohort." Under our current practice, after risk quantification is completed, the relevant loan applicants are sorted into seven credit rating categories, including one lowest credit rating category in which all loan applicants are automatically rejected. The remaining six credit rating categories range from Class I to Class VI, with Class VI representing the highest credit rating category.

Based on applicants' credit rating categories, debt-to-income ratios, and various other specific factors, which depend on our discretionary application of our credit policy, we can adjust our standard credit decisioning process based on the risk profile of the loan application. We have discretion to adjust the application of our credit policy during various times or under various circumstances, and within any particular credit rating category the application of our credit policy may also differ. We continue monitoring a range of asset quality indicators, including the Cohort-Based M3+ Delinquency Ratios of the loans within a cohort throughout the lives of these loans. During the Track Record Period, the distribution of our loan applicants' credit categorization underlying our credit decisions positively reflected the distribution of risk profiles of these loan applicants as shown by the actual Cohort-Based M3+ Delinquency Ratio distribution, which demonstrates the effectiveness of our credit decisioning, that is, within each cohort the ratio decreases across the six credit rating categories. We applied our cohort-based categorization analysis on borrowers of more than 95% of our loan origination volume during the Track Record Period. For the years ended December 31, 2015, 2016, and 2017, approximately 99.0%, 95.4%, and 96.0% of our respective loan origination volumes were subject to this cohort-based categorization analysis. The diagram below sets forth the sloping shapes of the Cohort-Based M3+ Delinquency Ratios by our credit rating categories for the cohorts indicated.

Cohort-Based M3+ Delinquency Ratio Distribution(1)



Notes:

(1) Each of the three bar charts illustrates, within one cohort, the distribution of Cohort-Based M3+ Delinquency Ratio among the six credit rating categories from the origination of loans in each cohort through December 31, 2017. Each cohort comprises the set of loans originated in the applicable year as indicated. Although the bars representing the Cohort-Based M3+ Delinquency Ratio for Class I credit rating in the three cohorts appear visually the same in this diagram, their values differ and the three bar charts are not intended to prove any trends from 2015 to 2017. Cohort-Based M3+ Delinquency Ratio is defined as the Cohort-Based M3+ Delinquent Loans divided by the aggregate loan origination volume within the applicable cohort.

(2) The trend of the Effective APR within each cohort has been rebased to the same level for illustration purposes.

(3) Without taking into account of the lowest credit rating category, in which all loan applicants are automatically rejected, we categorize borrowers into six credit rating categories from Class I to Class VI based on our credit assessment, with Class VI representing the highest credit rating category.

For each successful loan applicant we generate a credit decision that includes (i) a credit score and its corresponding credit rating category, (ii) a credit limit, and (iii) a credit term.

Core Models and Engines

Hummingbird has been developed with modular architecture and it operates in reliance on models, which are the functional units within *Hummingbird* that process data based on effective variables using various algorithms to generate outputs for its further use.

To build a model, we primarily use two sets of algorithms: data processing algorithms and machine learning algorithms. Data processing algorithms parse through voluminous data to extract effective variables that reflect desirable features and refine outputs to generate the most representative effective variables for further analytics. Machine learning algorithms utilize artificial intelligence to assist our data analytics professionals in generating models by determining the optimal array and weights of the effective variables within our models. *Hummingbird*'s core models for its operations include its credit scoring models (or scorecards), predictive models, traffic conversion models, cross-selling models, and loan servicing models.

We group *Hummingbird*'s various models into service-oriented packages that we call "engines." *Hummingbird* runs on eight core risk management engines to accomplish its major tasks:

the interception engine, the anti-fraud engine, the big data engine, the user portrait engine, the scorecard engine, the policies and rules engine, the decisioning engine, and the machine-learning engine. A task may use one or more engines to achieve its goals.

- *Interception engine*. *Hummingbird*'s interception engine works with the policies and rules engine to block unwanted loan applicants. It primarily works at the preliminary screening stage of our credit assessment process, although it is constantly digesting additional data obtained throughout the process to initiate further blocking of loan applications if necessary. *Hummingbird*'s interception engine typically blocks loan applicants who (i) do not present the desirable attributes of our target borrowers, (ii) are on any blacklists, (iii) fail to meet certain quantitative thresholds such as certain third-party credit scores, (iv) have limited credit card or mobile phone histories, or (v) possess other undesirable features based on our polices and rules engine. A loan applicant who is blocked by the interception engine but who nevertheless may be of interest to our business partners will be redirected by our cross-selling models for possible recommendation to our business partners. For most of the blocked loan applicants, the interception engine can prompt the termination of their loan applications at any stage of the process.

- *Anti-fraud engine*. *Hummingbird*'s anti-fraud engine supports *Hummingbird*'s fraud detection and prevention module. It screens loan applicants using both our proprietary and third-party risk lists and other unique identification indicators in China extracted and verified internally, such as mobile phone numbers. It also cross-checks loan applications submitted online against the applicant's corresponding positioning information, Internet Protocol (IP) addresses, Media Access Control (MAC) addresses, International Mobile Equipment Identification (IMEI) numbers, and social network and interactions. *Hummingbird*'s anti-fraud engine works in parallel with the interception engine. Compared to the interception engine, which directly blocks loan applicants on the blacklists, *Hummingbird*'s anti-fraud engine cross-analyzes blacklist information against other information sources and generate additional basis for blocking potentially fraudulent loan applicants.

- *Big data engine*. *Hummingbird*'s big data engine aggregates voluminous alternative data from multiple sources and uses data processing algorithms to process unstructured data into interim variables for advanced processing at the effective variable level for feature engineering. With user authorization, the big data engine can simultaneously aggregate six types of data and process in 21 functional dimensions per input. As of the Latest Practicable Date, the big data engine extracts and processes data from 59 proprietary data sources and over 30 third-party data sources. Our proprietary data is aggregated based on our interaction with loan applicants and their proper authorization, while third-party data is processed by the relevant third parties based on their interaction with the users and their proper authorization.

- *User portrait engine*. *Hummingbird*'s user portrait engine performs feature engineering based on the interim variable output of the big data engine. It performs statistical analysis of interim variables and deduces features. *Hummingbird* then uses various algorithms to select the desirable features and generates a set of standardized modeling tags to be further analyzed by credit scoring models. *Hummingbird*'s user portrait engine serves as an important interim procedure in the credit risk evaluation by connecting the big data engine and the scorecard engine.

- *Scorecard engine*. *Hummingbird*'s scorecard engine is based on our credit scoring models and is critical to its risk quantification and risk-based pricing capabilities. As of the Latest Practicable Date, we had over 50 unique scorecards, encompassing major dimensions such as official credit records, bank cards, mobile phone numbers, and e-commerce activities. We use statistical analysis systems and credit scoring models to evaluate a number of weighted factors tailored to specific user cases, and we use the results to build proprietary formulas for score calculation.

- *Policies and rules engine*. *Hummingbird*'s policies and rules engine does not operate independently and instead works with and supports other engines. For example, it provides some of the objective factors that the interception engine or the decisioning engine considers. As of the Latest Practicable Date, *Hummingbird* had over 68,000 rules and over 46,000 rule combinations.

- *Decisioning engine*. *Hummingbird*'s decisioning engine calculates structured decision trees after evaluating data objects and variables and can be customized. It relies on the policies and rules engine and takes into account business-oriented factors to turn the results of the debt-to-income ratio assessment and the credit quantification into credit decisions.

- *Machine learning engine*. *Hummingbird*'s machine learning engine is a proprietary iteration process that uses machine learning algorithms to develop models. For example, our credit scoring models need to be updated periodically to maintain their effectiveness. *Hummingbird*'s machine learning engine optimizes credit scoring models based on borrowers' post-scoring behavior and loan performance and uses the resulting additional variable sampling to update our credit scoring models. *Hummingbird*'s machine learning engine ensures the long-term effectiveness of our various models.

"Smart Lending"

Our loan lending operations are highly automated. Powered by our "smart lending" (智能信貸) technology, borrowers can request credit online and receive our lending decisions twenty-four hours a day, seven days a week, virtually without human interference from the borrowers' perspective. Human interference is not necessary for borrowers to initiate and complete a transaction with us. Our "smart lending" technology enables us to staff our human resources more efficiently, process loan applications objectively, mitigate our exposure to operational risk, and, most importantly, enhance the borrowing experience that we offer.

Data Analytics

Our data analytics capabilities are critical to all aspects of our operations, particularly our credit assessment and risk-based pricing. Our data analytics capabilities continue evolving through machine learning as they scale. We have accumulated over a decade of experience and know-how in developing and testing models and algorithms in a well-controlled environment against a vast amount of credit data (such as outstanding loan balance, income level and stability, credit repayment history, and utilities payment history) and alternative data (such as demographic data, transaction data, location data, travel preference, and social media interaction). This experience and know-how further enhances our understanding of China's consumer finance market and enables us to supplement the machine learning process in developing our models.

Data Aggregation

Data analytics begin with data aggregation, in which we process two types of data: credit data and alternative data. As of the Latest Practicable Date, we had aggregated data from 59 proprietary data sources and over 30 third-party data sources. Following the initial aggregation of data, *Hummingbird* verifies the data by cross-checking them against other proprietary and third-party data, encompassing many factors, including identities, behavior, social habits, consumption activities, financial profiles, and professional background.

Data Variables Determination

Once data is aggregated and verified, *Hummingbird* assists us in determining the appropriate set of valid data variables based on our industry experience and know-how. Data variables are essentially data fields used to structure raw data, and they generally become more effective in data analytics only after the data variables are tested in modeling over a period of time. As of the Latest Practicable Date, we had over 59,000 data variables and derivative data variables. Our scorecards and decisioning engines utilize multiple data variables to assess and make intelligent and efficient consumer credit decisions on a large and growing scale.

Feature Engineering

Our models are designed to analyze and extract the features of different types of data variables and apply appropriate algorithms to each type of effective variables so that effective features may be extracted and further processed. Derivative features can be created based on base features, and two or more of these features can be further combined to generate new features. Our highly automated and sophisticated *Hummingbird* system helps us to choose the desirable features to use in preparing scorecards.

Scorecards

The functional end-products of our data analytics and modeling are credit scoring models, or scorecards. Our scorecard system uses proprietary data processing algorithms and machine learning algorithms to further analyze the features to predict the probability of prospective borrowers defaults. We apply appropriate scorecards to work with our various credit products. As of the Latest Practicable Date, we had over 50 unique scorecards, encompassing major dimensions such as official credit records, bank cards, mobile phone usage, and e-commerce activities.

Risk-Based Pricing

Our adaptive data analytics capabilities enable us to use granular risk-based pricing that reflects each borrower's unique risk profile. If a borrower is able to gradually improve his or her credit profile as measured by our scorecards, he or she can enjoy lower borrowing costs, which incentivizes borrowers to build and maintain good credit records.

Hummingbird assists us in translating the results calculated under our proprietary scorecards into the proper price range levels corresponding to our six credit rating categories and other dynamic factors. Treatments among credit rating categories may differ, and with respect to one credit rating category we may adjust these dynamic factors under various circumstances. For example, we may impose additional requirements on loan applicants within certain credit rating category in light of market conditions.

We review and modify our granular risk-based pricing from time to time, taking into consideration not only borrower credit risk but also other factors, such as market interest rates and competition in the market.

OUR PRODUCTS AND SERVICES

Credit Products and Services for Borrowers

Our credit products and services for borrowers are primarily designed to address and serve the needs of prime and near-prime borrowers who are under-served by traditional financial institutions in China.

Product Lines

We primarily offer three categories of tailored consumer finance products to borrowers, structured according to our risk-based pricing capabilities: credit card balance transfer products, consumption credit products, and online-to-offline credit products. As of the Latest Practicable Date, all of our credit products were installment products, and for all of our credit products we do not offer revolving credit facilities and do not allow for loan extensions.

- *Credit Card Balance Transfer Products*. Our credit card balance transfer products, branded as "*KK Credit*" (維信卡卡貸), are balance transfer solutions for credit card holders, allowing them to transfer the balances of their credit card debt to our installment credit and bridge their short-term liquidity management needs. Using our dedicated *KK Credit App*, other third-party consumer finance marketplaces or WeChat, credit card holders can apply for *KK Credit* online at any time using the information on one credit card and one debit card and receive credit decisions within the same day. Upon approval of the credit and the completion of utilization and applicable verification procedures, funds are promptly deposited directly to repay the borrower's credit card balances and the funds cannot be used for any other purposes. As of the Latest Practicable Date, we offered *KK Credit* in 6- and 12-month installments. For the loans of *KK Credit* originated from January to April 2018, the weighted average term was approximately 10 months, the average loan size was approximately RMB16,000, and the average Nominal APR and the average Effective APR were approximately 19.9% and approximately 34.4%, respectively.

- *Consumption Credit Products*. We have designed our consumption credit products based on specific user-cases for various consumption scenarios. As of December 31, 2017, we had 14 consumption credit products. Some of our main consumption credit product brands include *Dou Dou* (豆豆錢) and *Xing Xing* (星星錢袋). *Dou Dou* is a household consumption financing product. *Xing Xing* primarily targets young white collar workers fresh out of college. As of the Latest Practicable Date, our consumption credit products were offered in the range of 1-month to 24-month installments. For the loans of consumption credit products originated from January to April 2018, the weighted average term was approximately 9 months, the average loan size was approximately RMB2,000, and the average Nominal APR and the average Effective APR were approximately 21.5% and 30.2%, respectively.

- *Online-to-Offline Credit Products*. Our online-to-offline credit products serve larger financing demands. Our online-to-offline products are largely similar to our consumption credit products, except that we require identity verification at one of our offline outlets to enhance credit risk control. Our main online-to-offline credit product brands include *Dai Dai Kan* (貸貸看). As of the Latest Practicable Date, most of our online-to-offline credit products were offered in the range of 6-month to 60-month installments. For the loans of online-to-offline credit products originated from January to April 2018, the weighted average term was approximately 49 months, the average loan size was approximately RMB139,000, and the average Nominal APR and the average Effective APR were approximately 15.4% and 26.2%, respectively.

The following table sets forth the distribution of our loan origination volumes by product line for the periods indicated.

	For the Year Ended December 31,					
	2015		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%
Loan Origination Volume						
Credit Card Balance Transfer Products	178,474	5.1%	3,410,352	43.3%	14,168,647	57.7%
Consumption Credit Products	63,555	1.8%	1,480,740	18.8%	7,859,691	32.0%
Online-to-Offline Credit Products	3,287,686	93.1%	2,979,060	37.9%	2,515,829	10.3%
Total	**3,529,715**	**100.0%**	**7,870,152**	**100.0%**	**24,544,167**	**100.0%**

Membership Services

Since January 2018, we have been offering standalone paid membership services on our major product mobile apps, such as *KK Credit App*, *Dou Dou App*, and *Xing Xing App*. Any registered user of the relevant product mobile app can become a member by paying a membership fee and subscribing for these app-based membership services, and we do not require the use of any of our credit products as a prerequisite for these membership services.

We offer membership services based on the nature of the relevant product mobile apps and the prospective needs of these relevant product mobile apps. For example, the services available on our *KK Credit App* are designed for members who are credit card holders and primarily include: (i) comprehensive credit self-assessment, where a member can authorize us to aggregate the relevant data, perform credit assessment, and produce a credit score that indicates the relevant credit rating category of the member and potential credit limit that can be granted by us or our funding partners, (ii) credit card management service, where the member can authorize us to import his or her credit card and debit card information to consolidate management of all bank cards in one place, monitor various promotional incentives offered by various card issuers, and pay credit card bills without incurring additional charges, (iii) sending location-based, customized alerts of third-party credit card benefits so that the member can enhance his or her credit card use experience, and (iv) membership points accumulation and related services. We offer additional membership services on other Apps that are not otherwise available on our *KK Credit App*, such as (i) review priority during our credit assessment process, (ii) one-on-one dedicated customer service, (iii) credit decisioning priority for high-quality repeat borrowers, and (iv) popular third-party promotional coupons.

Our members have flexible options to pay their membership fees. We charge a semi-annual membership fee of up to RMB399. A registered user can become a member and choose to (i) pay by charging to his or her bank card directly or through third-party payment services before settling a loan or (ii) in certain cases pay later. If the member defaults in making the membership fee payment, we do not count it as an event that is reportable to the CCRC.

Collaboration with Business Partners

We collaborate with our business partners in product development and marketing. The depth of our collaboration with our business partners varies from case to case depending on their respective needs and requirements and the length and reciprocity of the mutual relationships. Under our credit-plus-alternative data approach, our business collaborations typically start and focus on joint modeling and they currently also cover precision marketing and traffic support. We collaborate with different business partners on additional areas from time to time, but these additional collaborations were either exploratory in nature or immaterial as of the Latest Practicable Date.

We carry out joint modeling programs with several Chinese Internet technology conglomerates that have massive volumes of user-case-based alternative data and varying levels of modeling capabilities. While the immediate output of these collaborations typically includes enhanced scorecards specifically tailored to the business partners' user cases that we jointly determine, we also gain valuable experience through these collaborations in credit modeling based on the wide range of data types and user cases that are made available to us.

Our collaborations with business partners do not always include precision marketing or traffic support, both of which enhance the output of joint modeling and thus are typically included in more comprehensive collaborations. Precision marketing helps select prospective borrowers with certain features that we use to produce "white lists" of prospective borrowers for credit assessment. Traffic support from business partners helps increase our borrower base. For further details on precision marketing and traffic support, see the section headed "—Case Studies—Collaboration with Baidu FSG."

We carry out collaborations with our business partners in a holistic approach, and the commercial arrangements for these collaborations do not necessarily correspond to individual components of our collaborations. For example, we do not generate income directly from joint modeling, precision marketing, or traffic support. Instead, for a business partner with which we have such comprehensive collaborations, we have an overall income sharing arrangement, under which we recognize income from the underlying credit products in full and then expense a portion of the income from the underlying credit products as the relevant business partner's share of income. We do not separately record costs for joint modeling, precision marketing, or traffic support. Our costs for joint modeling and precision marketing are included in our origination and servicing expenses and research and development expenses, and we do not separately incur costs for traffic support, as the relevant business partners do not charge us in addition to the income sharing arrangements.

Our collaborations with business partners are mutually beneficial. In addition to the direct economic benefits from our income sharing arrangements, our business partners are incentivized to maintain and enhance their collaborations with us, because we can efficiently improve the effectiveness of their credit scoring models by leveraging our technology and years of industry know-how and maintain such effectiveness by periodically re-examining and updating the jointly developed credit scoring models. Through these collaborations we help our business partners commercialize their own alternative data without compromising their data ownership and generally enhance their user experience. We, on the other hand, expand our experience and data exposure in analyzing different types of effective variables and customizing credit scoring models for different user cases, thus enhancing our credit data analytics and overall modeling capabilities. We also receive economic benefits from our income sharing arrangements, and expand our user bases by tapping into our business partners' existing users. Certain of our business partners are also engaged in consumer finance business that may offer competing products. Through our collaboration with our business partners in joint modeling, we have implemented advanced risk-based pricing on existing users of their platforms, so that our business partners are able to recommend to us specific borrowers meeting our particular risk preference through our comprehensive collaboration. Because of our specific market focus, we believe that we and our business partners in these arrangements are not in direct competition. Rather, our comprehensive collaboration creates mutual benefits for both us and our business partners.

Our collaboration with our business partners complies with the applicable requirements under Circular 141. 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." We collaborate with our business partners primarily through our small loan companies and VC Financial Technology. With respect to the collaboration with our business partners, the requirements under Circular 141 are applicable to our small loan companies only. Based on the confirmation we received from the relevant PRC government authorities in February 2018 after inspection on our small loan companies in accordance with relevant PRC laws and regulations, our small loan companies did not violate any mandatory PRC laws and regulations and were not subject to any government penalties.

For a case study on our most comprehensive collaboration with one of our business partners, see the section headed "—Case Studies—Collaboration with Baidu FSG."

Services to Funding Partners

Our relationships with our funding partners are characterized by a high degree of mutual benefit. Through trust lending and credit-enhanced loan facilitation structures, we provide loan guarantee services, which are part of the funding structures rather than standalone services. For a discussion of our cooperation with our funding partners, see the section headed "—Funding of Loans—Our Funding Partners."

Historically, our business operations typically do not focus on providing services to our funding partners. As we have developed *Hummingbird* and deepened our understanding of our funding partners' businesses and requirements, we recently began offering technology services to our funding partners, particularly in the risk management and credit modeling areas. Through these services, our funding partners can enhance their risk management system with our credit assessment technologies—either in the form of SaaS-based subscriptions or by directly embedding our technologies in their system. We deliver our technology services primarily through SaaS-based subscriptions, where certain commercial components of *Hummingbird* and cloud computing resources are accessible via the Internet. We can assist our funding partners that subscribe for these services in setting up the proper configuration and interface to receive our technology services. On a case-by-case basis, we can also deliver our services by embedding certain credit assessment components directly in their risk management system, which can require significant modifications within their IT infrastructure to imbue certain models.

Loan Portfolio

Our outstanding loans increased significantly during the Track Record Period, primarily due to our enlarged capital base. For the years ended December 31, 2015, 2016 and 2017, our loan origination volume was RMB3.53 billion, RMB7.87 billion, and RMB24.54 billion, respectively.

The following table sets forth the profile of our loans originated for the period indicated.

	For the Four Months Ended April 30, 2018		
	Credit Card Balance Transfer Products	Consumption Credit Products	Online-to-Offline Credit Products
Average Loan Size (approx. RMB)	16,000	2,000	139,000
Weighted Average Loan Term (Months)	10	9	49
Average Nominal APR	19.9%	21.5%	15.4%
Average Effective APR	34.4%	30.2%	26.2%

The following table sets forth the profile of our loans originated for the periods indicated.

	For the Year Ended December 31,		
	2015	2016	2017
Average Loan Size (approx. RMB)	21,741	6,349	7,289
Weighted Average Loan Term (Months)	32	21	13
Average Nominal APR	24.9%	23.5%	23.2%
Average Effective APR	41.0%	38.0%	39.6%

We use what we believe to be the most conservative method to calculate Effective APR as an adjusted annualized internal rate of return at which the net present value of all ordinary cash outflows (e.g., the principal of loans) and ordinary cash inflows (e.g., the principal repayment, the interest income, the loan facilitation service fees, and other income) from a credit product or a group of credit products equals zero, assuming all the cash inflows other than interest income are received at the beginning of the period. Compared to Nominal APR, our calculation of our Effective APRs has taken into account, among others, fees charged directly by other third parties, which were not reflected in our Historical Financial Information because we did not receive those amounts. As of December 31, 2017, the Nominal APRs of all of our outstanding loans to customers were less than 36%. Prior to February 2018, certain loans we originated had Effective APRs higher than the current upper limit of private lending interest rates at 36% per annum. Since February 2018, we are no longer originating new loans at Effective APRs higher than 36% to comply with Circular 141. We believe that our limitations on the Effective APRs on loans we originate will not materially impact our financial position and results of operations, primarily because (i) following our transformation to online operations from 2015 to 2016, we have been generating a majority of our loan origination volume from our online credit products, especially our credit card balance transfer products, which already had Effective APRs generally below 36% during the Track Record Period, (ii) the economies of scale and higher operating efficiency that we have achieved will make us more resilient to adverse changes while our increasingly mature credit product lines and risk-based pricing capabilities will allow us to be profitable without Effective APRs exceeding 36%, and (iii) the impact of these limitations on the Effective APRs will be partially borne by our funding partners and other third parties.

Loan Distribution by Borrower Type

The following table sets forth the monthly average repeat borrowing rate for the periods indicated. The monthly average repeat borrowing rate is calculated as the average number of repeat borrowers since inception by month during a specified period as a percentage of total unique borrowers who have fully repaid at least one loan since inception.

	For the Year Ended December 31,		
	2015	2016	2017
	%	%	%
Monthly average repeat borrowing rate	16.1%	52.4%	69.3%

Our monthly average repeat borrowing rate was 52.4% and 69.3%, respectively, in 2016 and 2017. The significant increase of monthly average repeat borrowing rate from 2015 to 2016 was driven by the expansion of our online business.

OUR BORROWERS

Borrower Base

Target Borrowers

We target prime and near-prime borrowers who typically have bank accounts and credit cards but are under-served by traditional financial institutions. We strategically focus on these borrowers because we believe they tend to be relatively more creditworthy than other sub-prime borrowers and because they are more receptive to online consumer finance solutions. Despite those positive attributes, these borrowers nevertheless have limited access to credit from China's traditional financial institutions. The number of credit cards issued in China reached 588.0 million in 2017, according to the Frost & Sullivan Report. As of December 31, 2017, we had cumulatively verified the identities of 34.1 million users, over 81.4% of whom have credit records with CCRC. We also had provided credit products to approximately 2.5 million borrowers in approximately 4.8 million loan transactions during the Track Record Period.

Borrower Profile

Based on the information we obtained (with authorizations) from our loan applicants, as of December 31, 2017, most of our borrowers were aged between 25 to 30 years old. For the loans originated in the four months ended April 30, 2018, the borrowers of approximately 93.3% of our loan origination volume held credit cards and the borrowers of approximately 94.3% of our loan origination volume had official credit records.

During the Track Record Period, borrowers of more than 95% of our loan origination volume had official credit records and were assigned credit scores by *Hummingbird*. *Hummingbird* assigns varying points and weights to a number of credit-assessment factors that we review and consider from time to time to calculate credit scores, and this process is primarily based on credit data from official credit records, which have a shorter history as compared to those in the United States. Based on the credit scores and assessment of other factors, we classify borrowers with official credit records into six credit rating categories ranging from Class I to Class VI, with Class VI representing the highest credit rating category. We consider Class V to Class VI borrowers to be prime borrowers, who are expected to have M3+ Delinquency Ratios of less than 5% as assessed on a cumulative basis within one year. We consider Class I to Class IV borrowers to be near-prime borrowers, who are expected to have M3+ Delinquency Ratios between 5% and 10% as assessed on a cumulative basis within one year.

The following table sets forth the borrower profile and the loan origination volume distribution of each credit rating category during the Track Record Period.

	Credit Rating Category[(1)]	Average Credit Score	% of Loan Origination Volume 2015	2016	2017
Near-Prime	I	560	11.8%	10.7%	8.8%
	II	590	10.8%	17.2%	16.0%
	III	610	17.1%	23.8%	24.3%
	IV	630	21.6%	26.7%	28.6%
Prime	V	660	17.8%	16.0%	18.0%
	VI	690	20.9%	5.6%	4.3%

Note:

(1) A credit rating category is determined based on credit scores and assessment of other factors (such as analytics of alternative data).

During the Track Record Period, among the borrowers within the six credit rating categories, (i) their credit cards had average credit limits ranging from approximately RMB10,000 to RMB90,000; (ii) the average age of their credit cards in good standing ranged from approximately 2 years to 8 years; and (iii) the average age of their phone numbers in use ranged from approximately 3 years to 8 years.

Borrower Acquisition and Services

We attract borrowers through various online channels, including our own websites and mobile apps. Our online borrower acquisition efforts are supported by our big data capabilities and are primarily directed toward search engine marketing, search engine optimization, mobile application downloads through major application stores, partnering with online channels through application programming interfaces, as well as various marketing campaigns.

We also acquire borrowers through Internet traffic referrals from some of our business partners and other third-party online platforms. Under the relevant cooperation arrangements, our business partners and other third parties may divert borrower traffic to us who fall within our target borrower group. We have income sharing arrangements with our business partners and thus do not pay separate referral fees to them. We pay referral fees to other third-party online platforms under the traffic referral arrangements. The average size of loans sourced through offline channels tends to be larger than that of loans sourced through online channels.

We used to maintain more than 100 offline outlets during the Track Record Period to serve the expansion of our business. Since we began migrating our business online in 2015, we have been gradually adjusting the functions of our offline outlets, focusing on supplemental risk management and loan servicing functions. As of the Latest Practicable Date, we had 70 offline outlets that primarily conducted offline verification of prospective borrowers for online-to-offline products.

Borrower Charges

We previously charged our borrowers service fees in addition to interest payments, based on the product categories and funding structures. For loans funded through funding arrangement entered into after December 2017, we ceased to charge borrowers service fees. For further details on our latest Nominal APRs and Effective APRs, see the section headed "—Our Products and Services—Loan Portfolio."

FUNDING OF LOANS

Our Funding Partners

We cooperate with licensed financial institutions, including banks and trust companies, to fund the loans we facilitate or grant. These loans are funded by licensed financial institutions in compliance with relevant PRC laws and regulations. Our collaboration with these funding partners provides us with sufficient funding to meet the demands of our growing lending business. Some of these funding arrangements are on a long-term basis. As a supplement to funding from or through funding partners, two of our subsidiaries are small loan companies approved to conduct online small loan business and one of our subsidiaries is a licensed financing guarantee company; these licensed entities provide us with the flexibility to use our own funds to structure our collaboration with our funding partners.

As of the Latest Practicable Date, we had collaboration relationships with 18 funding partners, including banks, trust companies, and other financial institutions. For the years ended December 31, 2015, 2016 and 2017, our funding partners funded approximately 90.7%, 89.2%, and 94.9% of the amount of loans we originated, respectively. In 2017, we have been working to further promote a funding structure where we are not required to provide loan guarantees in connection with their funding. In 2017, loans funded under this funding structure amounted to RMB891.3 million, representing 3.6% of our aggregate loan origination volume.

Funding Structures

We utilize four funding structures for our loan lending and facilitation business: direct lending, trust lending, credit-enhanced loan facilitation, and pure loan facilitation. The following table sets forth a breakdown of loan origination volume by funding structure for the periods indicated.

	For the Year Ended December 31,					
	2015		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%
Loan Origination Volume						
Direct Lending	326,588	9.2%	851,111	10.8%	1,258,249	5.1%
Trust Lending	3,111,586	88.2%	6,632,986	84.3%	19,474,600	79.4%
Credit-Enhanced Loan Facilitation	55,316	1.6%	295,819	3.8%	2,920,055	11.9%
Pure Loan Facilitation	36,225	1.0%	90,234	1.1%	891,263	3.6%
Total	**3,529,715**	**100.0%**	**7,870,152**	**100.0%**	**24,544,167**	**100.0%**

Among all loans originated by us, we record the outstanding loan principal and accrued interest in connection with our trust lending and direct lending structures as loans to customers on our consolidated statements of financial position.

The following table sets forth a breakdown of our loan origination volume under the direct lending and trust lending structures by product line during the periods indicated:

	For the Year Ended December 31,					
	2015		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%
Loan Origination Volume						
Credit Card Balance Transfer Products	178,474	5.2%	3,156,620	42.2%	10,477,422	50.5%
Consumption Credit Products	63,555	1.8%	1,475,627	19.7%	7,799,660	37.6%
Online-to-Offline Credit Products	3,196,145	93.0%	2,851,851	38.1%	2,455,767	11.9%
Total	**3,438,174**	**100.0%**	**7,484,098**	**100.0%**	**20,732,849**	**100.0%**

For a breakdown of gross balance of loans to customers, please refer to "Financial Information—Discussion of Certain Line Items on the Consolidated Statements of Financial Position—Assets—Loans to customers."

Direct Lending

Our small loan companies have been permitted by the relevant PRC authorities to conduct online small loan business since April 2015 and March 2016, respectively. For the year ended December 31, 2017, we funded approximately RMB1.26 billion of loans through our small loan companies using our own capital, representing approximately 5.1% of our total loan origination volume for the same year.

Our PRC Legal Advisor is of the view that our small loan companies are licensed to operate lending business under relevant PRC laws and regulations and are not subject to the P2P Interim Measures. We operate direct lending business through our three small loan companies, among which (i) one small loan company, Vision Small Loan Qingdao, is permitted to operate an offline direct lending business, and (ii) the other two small loan companies, Vision Small Loan Chengdu and Vision Small Loan Shanghai, are permitted to operate online direct lending businesses. The offline direct lending business operated by Vision Small Loan Qingdao is not an online lending business and thus does not require a VATS License. According to relevant laws and regulations, online small loan companies in Shanghai and Chengdu, are not required to obtain VATS Licenses for their respective online direct lending business. In additional, under our direct lending structure, our online small loan companies are responsible for providing funds and do not provide any telecommunication or information services through websites or mobile applications, and thus are not operating a value-added telecommunication business. Therefore, neither Vision Small Loan Chengdu nor Vision Small Loan Shanghai is required to obtain a VATS License for their respective direct lending business.

Trust Lending

We cooperate with PRC trust companies to fund loans to borrowers through trust plans established in China in collaboration with these trust companies serving as our funding partners. Each of these trust plans has a specified term and qualified investors in these trust plans can subscribe to trust units, which provides them with fixed rates of return on their investments. Once a borrower's credit limit is approved and funding is requested, the trust plan, which is designated as the lender, disburses the loan amount to the borrower directly. The borrower is required to repay the principal and interest directly to the trust plan.

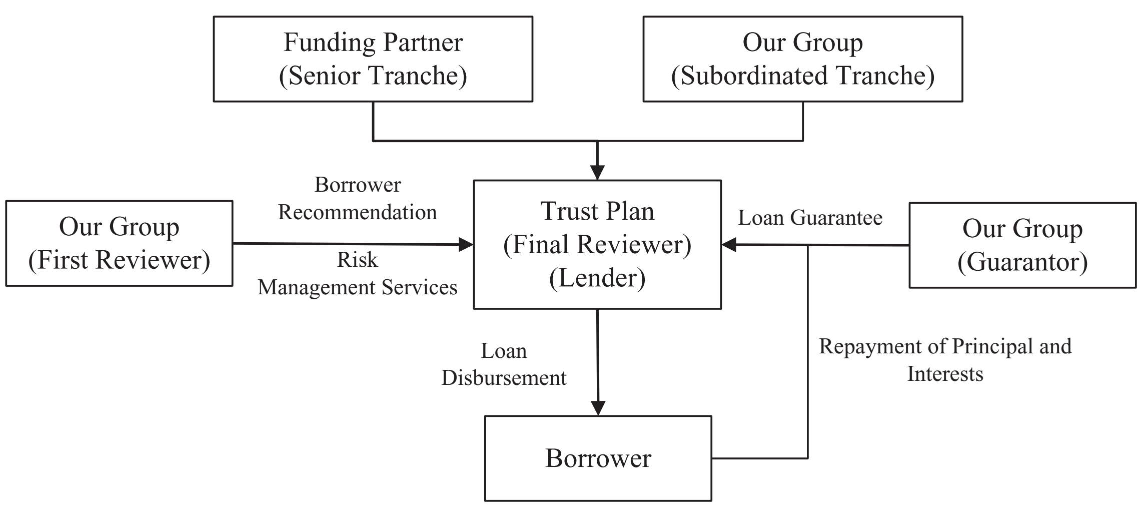
We are designated as the risk management service provider for these trust plans, and in this role we screen borrowers, conduct credit assessments and make credit recommendations pursuant to contractual agreements with them. We also provide loan guarantees as part of our services to the trust plans, and we do not separately record additional loan guarantee fees for this service on our consolidated financial statements.

We subscribe to the subordinated tranches in certain trust plans with our own capital to provide assurance to the trust investors subscribing to the senior tranches and the trust companies establishing the trust plans. No payments are made to the subordinated tranche units until the senior tranche units are fully paid. The trust plan remits to the trust investors pursuant to the terms of the trust plan that reflect (i) a pre-agreed rate of return and (ii) the funds initially provided by the trust investors. If payments made by borrowers are less than the amount that would reflect the pre-agreed rate of return and funds initially provided by the trust investors, we are obligated to top-up any shortfall in addition to our guarantee liabilities so that the trust investors still receive the total amount specified under the trust plan arrangement. We retain any remaining amount in the trust plan. From an accounting perspective, we have power to direct the activities of the trust plans, which only invest in loans recommended by us, and consequently we are considered the primary beneficiary of the trust plans and have consolidated the trust plans' assets, liabilities, results of operations and cash flows. For a discussion of the consolidation of our trust plan loans, see the section headed "Accountant's Report—Notes to the Historical Financial Information—Summary of Significant Accounting Policies—Subsidiaries—Consolidation" in Appendix I. The trust company is responsible for administering the trust plan and is paid a service fee. While trust companies typically collaborate with us through the trust lending structure, they are free to choose collaboration with us through other funding structures. We are also exploring collaborating with trust companies through the credit-enhanced loan facilitation structure. For the year ended December 31, 2017, the loan origination volume through trust lending was RMB19.47 billion.

During the Track Record Period, the investors in these trust plans included qualified individuals and institutional investors domiciled in China. The terms of the trust plans are typically 1 to 3 years, with funding cost between 6% and 15% during the Track Record Period. For details of the effective interest rates of the trust plans, see the section headed "Financial Information—Indebtedness—Borrowings—Payables to senior tranche holders of trust plans and asset management plans."

The following chart sets forth the typical trust lending model.

TRUST LENDING STRUCTURE

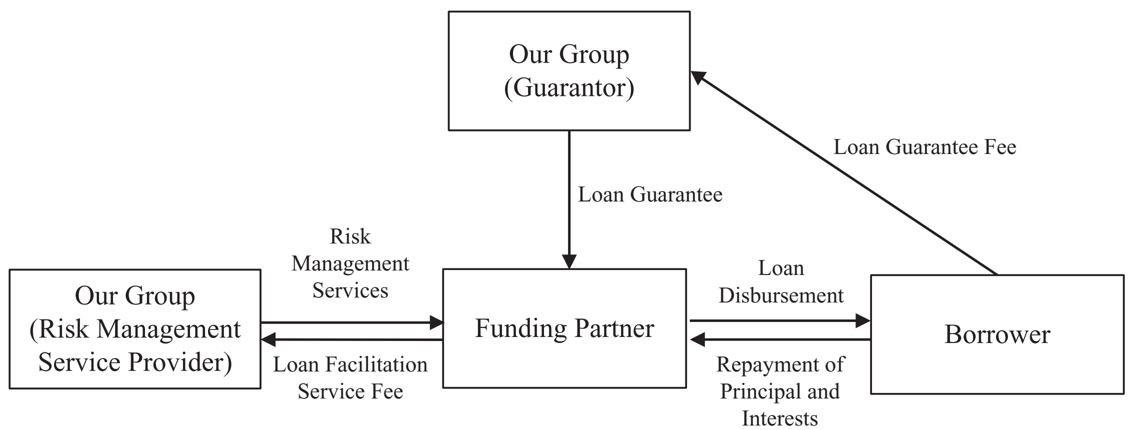


Credit-Enhanced Loan Facilitation

We began cooperating with financial institutions in China to fund credit to borrowers in December 2012. In our credit-enhanced loan facilitation structure, we provide our funding partners with our risk management services supported by our advanced risk-based pricing capabilities to screen under-served prime and near-prime borrowers. We screen and perform credit assessment before referring borrowers to these funding partners. They then review the credit applications and approve credit for successful loan applicants. Once a credit limit is approved and funding is requested, the funding partners directly fund the credit to the applicable loan applicants. In this structure, the relevant funding partner is the lender under the borrowing agreement. The borrower is required to repay the principal and interest directly to the funding partner, which will in turn deduct the principal and interest due to it from those payments and remit the remainder to us as our loan facilitation service fees. We provide a loan guarantee for these types of loans and separately charge loan guarantee fees from the borrower. If the borrower defaults, we are obligated to repay the full delinquent amount to the relevant funding partner. Some trust companies that previously collaborated with us through the trust lending structure also collaborate with us through the credit-enhanced loan facilitation structure.

The following chart illustrates the typical credit-enhanced loan facilitation structure.

CREDIT-ENHANCED LOAN FACILITATION STRUCTURE



Pure Loan Facilitation

Since 2017, we have been working to further promote a pure loan facilitation funding structure, under which we do not use our own capital or provide loan guarantees to fund credit to borrowers. Under this structure, we make credit recommendations and provide other value-added services to our funding partners, and our funding partners take a more active role in credit assessment and other aspects of the lending process. Through the pure loan facilitation structure, we are providing our funding partners with integrated credit assessment services through *Hummingbird*. Under this structure, we do not charge guarantee fees and only charge loan facilitation service fees from our funding partners.

Under our trust lending, credit-enhanced loan facilitation, and pure loan facilitation structures, we facilitate loan transactions funded by licensed financial institutions, which are not private lending transactions. Under the P2P Interim Measures and relevant interpretations of the CBRC, P2P online lending refers to lending between peers, which is a form of private lending transaction. Therefore, our PRC Legal Advisor is of the view that our business under the trust lending, credit-enhanced loan facilitation, and pure loan facilitation structures falls under the category of "banking financial institutions conducting lending business in cooperation with third parties" under Circular 141, rather than P2P online lending. As advised by our PRC Legal Advisor, our loan facilitation business is not listed as a value-added telecommunication business under any classification of the Telecommunication Business Classification Catalogue (電信業務分類目錄), and there are no rules or regulations requiring companies conducting loan facilitation business like us to obtain a VATS License. Furthermore, we have been advised by the Shanghai Communications Administration Bureau (上海市通信管理局) that we are not required to obtain a VATS License and that it will not issue a VATS license to us or any of our PRC subsidiaries. Based on the above and confirmation by competent regulatory authorities, we believe that we are not required to obtain a VATS License for our loan facilitation business.

CASE STUDIES

Collaboration with Baidu FSG

Baidu Financial Services Group ("**Baidu FSG**") is the financial services unit of Baidu, Inc., a leading Chinese Internet search service provider operating a broad range of Internet businesses. Baidu FSG offers a consumer finance product line in addition to its other financial services. Products it offers in this line include installment-based financing as well as other consumer finance products. Baidu FSG has its own risk management system and modeling capabilities.

As of the Latest Practicable Date, our collaboration with Baidu FSG encompassed joint modeling, traffic support, precision marketing, and exploration of opportunities in funding cooperation.

- *Joint modeling*. The goal of our joint modeling efforts with Baidu FSG is to leverage the existing credit scoring model and its effective variables based on its voluminous user data. We perform data analytics with respect to Baidu FSG's alternative data, which is aggregated (with user authorization) during its provision of various services. Our credit scoring model building process also uses credit data to enhance the effectiveness of the jointly developed credit scoring model. The alternative data remains the property of Baidu FSG, but, when combined with our know-how, contributes to the improvement of Baidu FSG's credit scoring model. The credit scoring model development concludes with the creation of a customized scorecard tailored to the users of Baidu FSG.

- *Precision marketing*. The goal of precision marketing is to select prospective borrowers with certain features before the application of the credit model. This technique allows us to increase the credit approval rate without compromising the integrity of our credit model. We believe that using a customized credit scoring model without precision marketing typically results in a relatively low credit approval rate because the prospective applicant pool is larger than necessary and the customized credit scoring model is effective. Precision marketing requires joint efforts in that (i) we provide desirable user features that meet our requirements for borrowers with respect to a particular credit product, and (ii) Baidu FSG and we jointly analyze these features against its user base to determine additional user features to be applied. The precision marketing concludes with an output of a "white list" of prospective borrowers.

- *Traffic support*. The goal of our traffic support collaboration with Baidu FSG is to increase our borrower base by tapping into its existing users. Baidu FSG has selectively integrated access to our credit products within its mobile apps and websites. Traffic support is an integral part of our comprehensive collaboration with Baidu FSG, where we operate certain credit products under the Baidu Youqianhua product line in conjunction with Baidu FSG using our direct lending structure and allow Baidu FSG to share a portion of the income based on its traffic contribution.

- *Exploration of funding cooperation*. Baidu FSG is a seasoned originator of ABSs. We are exploring to extend our existing trust lending structure by adding an ABS element to further streamline our funding structure. As of the Latest Practicable Date, our exploration of opportunities in funding cooperation with Baidu FSG remained ongoing but had not yet resulted in implementation.

Collaboration with FOTIC

FOTIC is a licensed trust company established in China and is a subsidiary of SinoChem Group, a central-level state-owned enterprise in China. Its main business operations include micro-finance, securities trust, ecological finance for micro, small, and medium enterprises, capital markets, industrial finance, and wealth management.

We have a long-term relationship with FOTIC, which has been one of our major funding partners. With respect to the loans originated by us through our trust lending structure, it provides trust services and funding aggregation services. For further information about our trust lending structure, see the section headed "—Funding of Loans—Funding Structures—Trust Lending."

In December 2012, we and FOTIC co-released Huijin No. 3 Aggregated Trust (匯金3號消費信貸集合資金信託計劃), a major trust plan used in our trust lending structure. There have been multiple issuances under the trust plan since its inception.

In March 2017, we entered into a 20-year trust funding arrangement agreement with FOTIC for Huijin No. 3 Aggregated Trust. The following summarizes the key terms and conditions of this agreement:

- *Management of the trust plan*. FOTIC will manage the trust plan to invest in the consumption loans. We can designate certain entities to provide FOTIC with borrower recommendation services.
- *Subscription to subordinated tranche*. We will subscribe to the subordinated tranche of the trust plan and receive the investment return from it. The senior tranche investors have the right to receive their principals and returns prior to us. If the trust plan suffers losses, the investment of the subordinated tranche will be paid to the senior tranche investors to the extent necessary for them to receive the full amount of their investment principal and expected return. If the investment of the subordinated tranche is not sufficient to fully pay the senior tranche investors' entitlements, we will make further investment into the trust plan to fund such insufficiency.
- *Fee payment*. FOTIC will receive service fees for managing the trust plan, including the management fee at a fixed percentage of the total amount of trust assets and performance-based rewards.
- *Termination*. The agreement will terminate upon expiration or if we fail to make supplementary investment as required.
- *Renewal*. The term of the agreement can be renewed after the negotiation of the parties within 30 days before the expiration date.

We and FOTIC are constantly exploring collaboration areas to further expand the use of our *Hummingbird* system in a mutually beneficial way, including forming a financial technology joint venture in the future.

Our long-term collaboration with FOTIC is based on the following commercial considerations.

- *Established long-term relationship*. We established collaboration with FOTIC as our funding partner in our early years. During the Track Record Period and up to the Latest

Practicable Date, we have not had any disputes with FOTIC in relation to our collaboration.

- *Reputation*. FOTIC is a leading institution in China's trust fund management business and we believe that it has a strong position and reputation in the industry. Given its market position, FOTIC is a well-placed source of funds from a variety of financial institutions at competitive rates to meet the demands of our customers for credit.
- *Mutual and complementary relationship*. We provide borrower recommendations and risk management services to FOTIC. In addition, we also provide loan guarantees to the loans granted by the trust plans. Based on this relationship, we and FOTIC consider each other to be major partners in each other's business.
- *Industry and regulatory restrictions*. After the implementation of Circular 141 in December 2017, FOTIC has continued participating in the consumer finance business in compliance with applicable laws and regulations and continued to provide the services to us necessary for our trust lending structure. For further information in relation to Circular 141, see the section headed "Regulations—Regulations Relating to Online Lending."

TRANSACTION PROCEDURES

Transaction Procedures

Our automated credit application process is available online twenty-four hours a day, seven days a week. Leveraging our proprietary credit assessment know-how and risk management system, we provide users with a simple, efficient and objective online application experience. While we deliver our credit products through several product-specific mobile apps that have separate application procedures, the core procedures are similar across all of our product mobile apps. A successful loan applicant typically receives his or her credit approval within the same day. Depending on the credit product and loan applicant's background, the entire process from initial application to loan disbursement typically completes within 24 hours.

Step 1: Online Application and User Authorization

Our credit application process begins with the loan applicant submitting an online loan application. The loan applicant must first become our registered user through our product-specific mobile apps or websites, and as part of that registration process is asked to provide certain personal information depending on the loan applicant's desirable loan products, typically including PRC national identification card number, mobile phone number, and credit card or other bank card information. The loan applicant can then apply for a loan through our individual product-specific mobile apps only, as we do not accept any loan applications on our websites. Together with the application, the loan applicant has to expressly authorize us to access the CCRC consumer credit database and other applicable data sources relating to the loan applicant so as to enable us to proceed to the next step.

Step 2: Preliminary Screening and Due Diligence

After the loan applicant completes the online application and supplies the required information, our *Hummingbird* system aggregates credit and alternative data from a number of internal and external sources either from our accumulated database or based on the authorization provided by the loan applicants, including the following:

Internal:

- credit analysis and data accumulated during historical transactions, such as internal blacklist, and user interaction network data, phone number verification data bank, and user profile data
- behavioral data that we collect from loan applicants as they complete their online applications or act while using our mobile apps or websites, such as the time spent in completing the applications, mobile device environment, number of times the PRC national identification card numbers or birthday entries were corrected

External:

- CCRC consumer credit database
- credit scores reported by selected third-party credit rating services
- personal identity information maintained by an organization operated under the PRC Ministry of Public Security
- online blacklist or other data maintained by industry anti-fraud service providers for cross-checking with each other
- online data from Internet or mobile service providers, including social network information
- online shopping and payment behavior on certain popular online retail and mobile commerce platforms

The additional data aggregated is then cross-checked against the application during our preliminary screening and due diligence. We analyze the aggregated data to verify the loan applicant's identity, detect and prevent fraud, and prepare for credit risk quantification. Loan applicants identified as presenting abnormally high risk of fraud or that are otherwise suspicious are declined by *Hummingbird*. For our online-to-offline products, we also require loan applicants to go through in-person interviews at our offline outlets and authorize us to make and retain video records of the on-site conversation. For a discussion of our credit assessment and approval procedures, see the section headed "Risk Management—Credit Risk Management—Credit Assessment and Approval."

Step 3: Credit Risk Quantification and Credit Decisioning

Once we are satisfied with the preliminary screening and due diligence on the loan applicant, the loan application proceeds to the next phase of the application process, where we conduct credit risk quantification and credit decisioning.

We use a set of proprietary, specifically designed scorecards to quantify the credit risk of each loan applicant and to provide a basis for pricing the relevant credit products. As part of our "smart lending" technology, we apply multiple scorecards to quantify a loan applicant's future performance in respect of loan obligations and to predict the level of credit risk by generating a credit score. For a discussion of our scorecards, see the section headed "—Proprietary Technology—Data Analytics—Scorecards." We then make credit decisions based on the output of the application of multiple dimensions of scorecards together with other factors such as an assessment of the loan applicant's debt-to-income ratio. For each successful loan applicant we generate a credit decision that includes (i) a credit score and its corresponding credit rating category, (ii) a credit limit, and (iii) a credit term.

Step 4: Utilization and Fund Matching

As long as the loan applicant has an approved credit limit and credit term, the loan applicant can request utilization of loans within that approved credit limit and credit term. Upon receipt of a utilization request, *Hummingbird* reviews the utilization request and re-evaluates the creditworthiness of the loan applicant to ensure that there is no red flag preventing the requested utilization. *Hummingbird* then automatically matches the appropriate funding partner and funding structure based on the funding readiness (in terms of funding terms and funding amount) and the funding cost. The process does not require any action from the loan applicant.

Depending on the product, the loan applicant may be prompted to pay a membership fee to become our member, but the membership is not required for loan settlement. The membership service gives the applicant access to various services depending on the applicable product. For further details of our membership services, see the section headed "—Our Products and Services—Credit Products and Services for Borrowers—Membership Services."

Step 5: Settlement

Once the utilization request is approved, we or our funding partners, as applicable, settle the utilization request and fund credit to the loan applicant. Funding typically occurs within the same day or by the next business day after a utilization request is made and approved.

Step 6: Loan Servicing and Collection

We utilize an automated process to collect scheduled loan payments from our borrowers. Upon loan origination, we establish a payment schedule with payments scheduled for a set business day each month. Borrowers then make scheduled loan repayments online or via a third-party payment platform to a custody account, and authorize us to debit the custody account for the transfer of scheduled loan repayments. For borrowers who do not use the automated repayment process, we provide payment reminder services, such as sending reminders through text and instant messages on the day a repayment is due. Once a repayment is delinquent, we send additional reminders.

Our collection efforts are designed to extend to every delinquent borrower. Our collection process is divided into distinct stages based on the severity of delinquency, which dictates the level of collection steps to be taken. For example, automatic reminders through text and instant messages are sent to a delinquent borrower as soon as the collections process commences, and we take these types of measures to address delinquencies typically caused by borrowers' oversight. If the payment is still outstanding after these reminders, our collection system initiates automated voice calls. If these efforts still remain unsuccessful, our collection team makes phone calls and discloses the delinquency to the CCRC if a payment is delinquent for more than 3 days. For larger delinquent amounts, we may also conduct in-person visits. We may outsource our collection efforts to third parties when the loans are delinquent for a specified period or more and collection attempts have reached a specified number. In the event of (i) the death of a borrower or (ii) the amount delinquent for 12 months or more and therefore deemed uncollectible, we will write off the relevant outstanding amount. Substantially all of our write-offs since our inception were due to amounts that remain delinquent for 12 months or more.

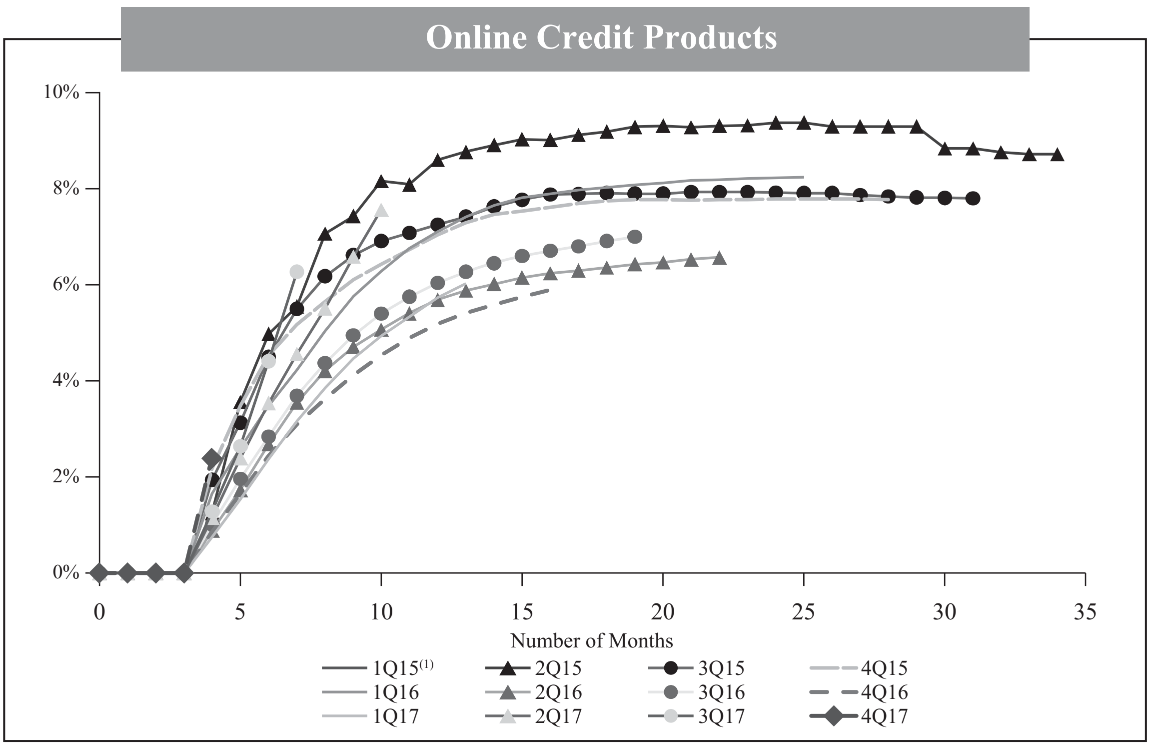
ASSET QUALITY AND PROVISIONING POLICY

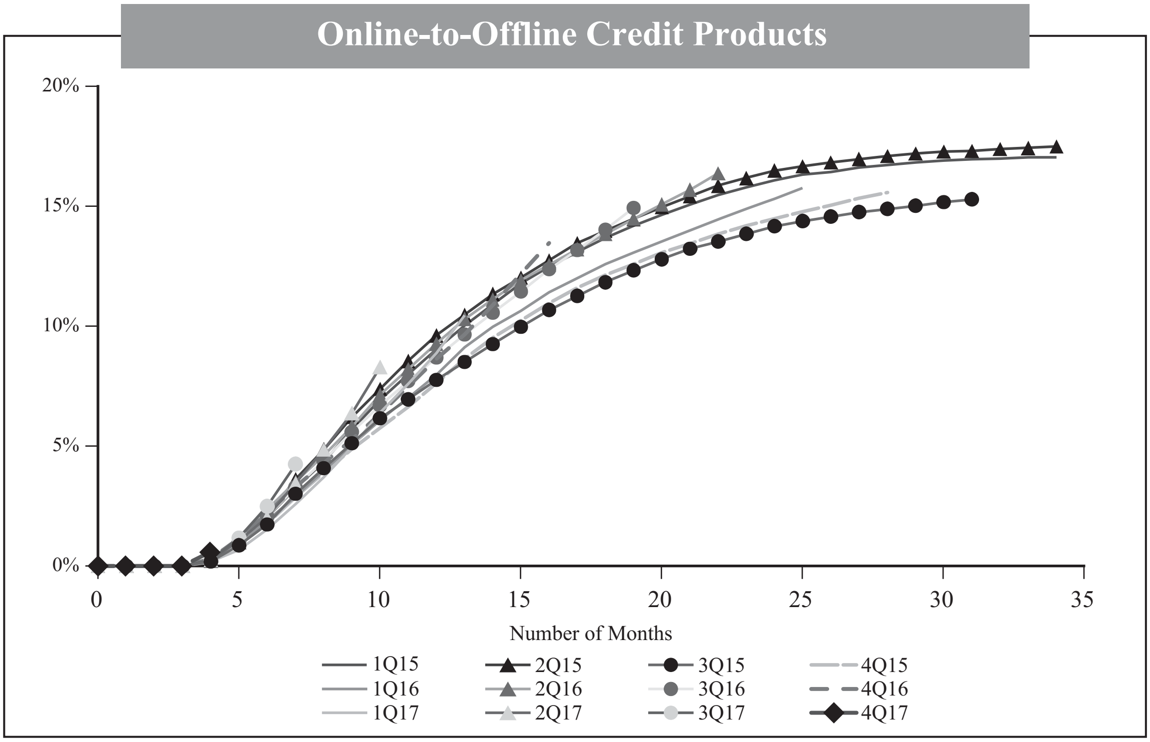
Asset Quality by Cohort

As part of regular loan performance review, we track the Cohort-Based M3+ Delinquency Ratio of loan cohorts originated by us. We applied our cohort-based categorization analysis on an increasing volume of our loan origination during the Track Record Period.

The following diagrams set forth our latest Cohort-Based M3+ Delinquency Ratios by product groups.

Cohort-Based M3+ Delinquency Ratios by Product Groups





Note:

(1) The cohort for the first quarter of 2015 is not applicable to our online credit products, because we introduced our online credit products in the second quarter of 2015.

Provisions for Loans to Customers

We determine provisions for loans to customers based on our assessment of the loans to customers for impairment. For a loan that is individually significant, we assess it individually for impairment. For a loan that is not individually significant, we assess it individually for impairment or include it in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. If we determine that no objective evidence of impairment exists for an individually assessed loan (whether significant or not), we include the loan in a group of loans with similar credit risk characteristics and collectively re-assess them for impairment. Loans for which an impairment loss is individually recognized are not included in the collective assessment for impairment.

If a loan is assessed to be impaired, its carrying amount is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate. An impairment loss that is equal to the amount of reduction is recognized as profit or loss and is recorded using an allowance account. When a loan is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. If there is objective evidence of a recovery in value of the loans subsequent to the recognition of impairment, the previously recognized impairment loss is reversed to the extent that its carrying amount on the date of reversal does not exceed what the amortized cost would have been had the impairment not been recognized.

Following our impairment assessment, we determine the level of impairment allowances and recognize any related provisions made in a year based on the number of days of delinquency. In the event of (i) the death of a borrower or (ii) the amount delinquent for 12 months or more and thus deemed uncollectible, we will write off the relevant outstanding amount of the loans to customers.

The following table sets forth our write-off ratios for the years indicated.

	For the Year Ended December 31,		
	2015	2016	2017
Write-off Ratio[1]	17.3%	13.1%	10.1%

Note:

(1) Write-off ratio is calculated by dividing loans to customers originated prior to the beginning of the applicable year that are written off for the year by the beginning balance of gross loans to customers.

SOURCES OF FUNDS

We have established diversified funding channels and have prudently managed our financial position. During the Track Record Period, in addition to cash flows from our own operations, we obtained external funds from various sources to support our business operations and growth, including for strengthening our own capital to be used for our direct lending structure in China. Such funding channels included (i) issuances of Preferred Shares, (ii) onshore loans, or loans of our PRC subsidiaries from PRC banks and PRC independent third-party corporations, and (iii) offshore loans, or loans of our Hong Kong subsidiary from individuals and corporations. We budgeted and used all of the proceeds from these funding sources to meet our operational needs and support our business growth, including replenishing the capital base of our PRC subsidiaries and other general corporate purposes. To support our operations in China, we injected funds that have been obtained offshore, such as proceeds from issuances of Preferred Shares and offshore loans from individuals and corporations, into our PRC subsidiaries in the form of capital contributions or shareholder loans in compliance with relevant laws and regulations. To the best of our knowledge and belief, none of the offshore loans provided to us are in breach of any applicable anti-money laundering laws or regulations in Hong Kong. We also confirm that, based on discussions with our legal counsel with respect to Hong Kong laws, the borrowing by our Hong Kong subsidiary and the injection of the borrowed funds into our PRC subsidiaries in the form of capital contributions or shareholder loans do not breach any Hong Kong laws applicable to companies generally.

Proceeds from Issuances of Preferred Shares

As of April 30, 2018, we had raised, on a cumulative basis, an aggregate of approximately RMB1.30 billion in cash from multiple issuances of Preferred Shares to various investors. On the Listing Date, all of our Preferred Shares will be automatically converted into our ordinary shares. For a discussion of issuances of Preferred Shares, see the section headed "History and Corporate Structure—Pre-IPO Investments."

Onshore Loans

Banks

During the Track Record Period, we utilized loans from multiple banks. As of April 30, 2018, we had an onshore loan from a PRC bank with an aggregate balance of outstanding principal of approximately RMB1.6 million, and we did not have any unutilized loan facilities from banks as all of our loan facilities from banks had been fully drawn down.

Independent Third-Party Corporations

As of April 30, 2018, we had onshore loans from three PRC independent third-party corporations with an aggregate balance of outstanding principal of RMB750 million.

Offshore Loans

Independent Third-Party Corporations

As of April 30, 2018, we had offshore loans from independent third-party corporations with an aggregate balance of outstanding principal of approximately RMB371.6 million.

Individuals

As of April 30, 2018, we had offshore loans from individuals with an aggregate balance of outstanding principal of approximately RMB455.9 million. Most of these individual lenders are independent third parties. For further details of these individual lenders, see the section headed "Financial Information—Indebtedness—Borrowings—Other borrowings."

For further details of our borrowings, including their maturity profile, see the section headed "Financial Information—Indebtedness—Borrowings."

IT INFRASTRUCTURE

We have been investing heavily in designing and upgrading our state-of-the-art IT infrastructure, which has been designed to meet the demands of our business growth, support our risk-based pricing and overall credit-plus-alternative data business approach, and ensure the reliability of our operations and the information security of our systems. We continue enhancing the reliability and scalability of our IT infrastructure to provide borrowers, our funding partners and our strategic partners a convenient and efficient financing experience.

Research and Development

Our research and development team primarily focuses on improving the efficiency and user experience of our mobile apps and other product interfaces and designing new product interfaces to support product development. Our research and development team consists of three divisions: (i) the first division, which is responsible for development of core business systems and loan servicing systems, (ii) the second division, which is responsible for development of *Hummingbird* and other financial technological innovation, and (iii) the third division, which is responsible for the maintenance of our in-house technology needs. Our research and development expenses are primarily comprised of employee benefits expenses of our research and development personnel. We incurred RMB14.7 million, RMB30.0 million, and RMB74.4 million in research and development expenses in 2015, 2016, and 2017, respectively. The increase of our research and development expenses was primarily due to (i) an increase in employee benefit expenses for research and development personnel, and (ii) an increase in expenses to develop scorecards and online credit products in connection with the transformation into and expansion of our online operations. For further details of our research and development expenses, see the section headed "Financial Information—Description of Major Components of Our Results of Operation—Expenses—Research and development expenses."

Cloud Services

We use private cloud and public cloud services throughout our business operations.

We have developed dedicated private cloud services to support our cloud computing needs and other cloud services by our business operations, particularly for risk management purposes. Our private cloud services are deployed using two structures: (i) infrastructure as a service (IaaS), which we use for cloud computing and cloud storage, and (ii) subscription as a service (SaaS), which we use to commercialize our *Hummingbird* system. For a discussion of our commercialization of our *Hummingbird* services, see the section headed "—Our Products and Services—Services to Funding Partners." We modularize frequently visited components of our systems such as scorecards, fraud detection, data aggregation and variable analytics as exportable cloud services that can be accessed by ourselves as well as our funding partners. We have actively taken comprehensive measures to ensure our compliance with relevant PRC secrecy laws and regulations. For further details, see the section headed "—IT Infrastructure—Security."

We also use public cloud services maintained by leading cloud service providers and build our data centers based on these public cloud services. We segregate our private cloud services and public cloud services to protect data security. We use public cloud services only in our mobile app interface and functions, promotional campaigns and other operations, which require significant computing capabilities but do not present high security demands.

Stability

We have implemented a disaster recovery plan that involves hosting our IT infrastructure in two separate locations in Shanghai and Shenzhen, China. We maintain system redundancy through a real-time data backup mechanism to ensure the reliability of our IT infrastructure. Our system adopts modular architecture that consists of multiple connected components, each of which can be separately upgraded and replaced without compromising the functioning of other components. We believe our IT infrastructure is highly stable. There was no material interruption of our IT infrastructure during the Track Record Period.

Security

We are committed to maintaining a secure IT infrastructure. We have built a firewall that monitors and controls incoming and outgoing traffic and will automatically take reactive measures against threats. We also have a firewall between our private cloud services and public cloud services. We segregate our internal databases and operating systems from our external-facing services and intercept unauthorized access. We encrypt our data transmission, especially user data transmission, using sophisticated security protocols and algorithms to ensure confidentiality. We back-up our user data on a daily basis in separate back-up systems to minimize the risk of user data loss or leakage. In particular, we have adopted comprehensive policies and measures to comply with the relevant PRC secrecy laws and regulations, such as the Information Security Management Policy and the Information Classification and Security Management System. We also provide personal information security protection training to our staff, and require our staff to report any information security breach. Upon the occurrence of any information security breach, we will follow pre-determined procedures and systems to respond to any such incident in accordance with our policies and measures. We also have adopted and implemented a comprehensive set of rules and policies relating to information system integrity to prevent physical and cyberspace security breach. We perform periodic reviews of our IT infrastructure, identifying and mitigating problems that may undermine our system security.

The core business system of Vision Small Loan Shanghai has been officially certified as "Level 3" under the Information Security Protection Grading System (信息安全等級保護) sanctioned by the PRC government. We received our "Level 3" status with almost the highest score that a non-banking institution can receive, which we believe recognizes our solid information security measures.

SALES AND MARKETING

We source our customers primarily through our advertisement and offline outlets.

Advertisement

We advertise our business through a number of national and regional media, platforms and channels to attract new customers. We primarily advertise on leading Internet platforms and search gateways, as well as on television and billboards along highways, and provide potential and existing customers with advertisement brochures when they visit our offline outlets to promote our business.

Offline Outlets

Our offline outlets are primarily responsible for additional risk management measures and other customer services, and some of our customers are also sourced through our offline outlets. As of the Latest Practicable Date, we had 70 offline outlets.

Our offline outlets operations team primarily consists of outlets managers, sales managers, customer relationship managers and customer service personnel. They source and develop customer relationships primarily through direct on-site marketing, phone calls, and public promotional campaigns. Our offline outlet employees receive regular training on product awareness, marketing strategies, risk management, and professional ethics. We also conduct periodic reviews to assess our offline outlet employees' skills and performance.

INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of the Latest Practicable Date, we had 216 registered trademarks (including "維信金科," the Chinese characters of "VCREDIT"), 264 pending trademark registration applications, 10 patents pending registration, registered copyrights to 66 pieces of software and 14 pieces of works, and 30 domain names (including vcredit.com and kkcredit.cn). For details of our intellectual property rights, see the section headed "Appendix IV—Statutory and General Information—Further Information About Our Business—Intellectual Property Rights."

COMPETITION

Competition in China's online consumer finance market is intense. As of December 31, 2017, there were approximately 350 online consumer finance service providers operating in China, according to the Frost & Sullivan Report. According to the Frost & Sullivan Report, China's online consumer finance service providers can be generally categorized into licensed consumer financial companies, e-commerce driven installment platforms, and independent online consumer finance service providers. We primarily compete with the independent online consumer finance service providers that mainly facilitate loans through their own platforms. China's online consumer finance market has been experiencing regulatory changes recently, particularly after the issuance of Circular 141 by the Online Finance Working Group and the P2P Online Lending Working Group in December 2017. Some of the online consumer finance service providers with licenses or qualifications required for small loan and financing guarantee business, including us, have the flexibility to adapt their business models to address these regulatory and market changes. We believe the key factors for our success in the online consumer finance market primarily include legally compliant operations, sufficient capital base, and effective risk management.

As competition in China's online consumer finance market intensifies, we believe that we are well positioned to take advantage of opportunities in this growing market. For additional details regarding the competitive landscape of industries in which we operate, see the section headed "Industry Overview."

CUSTOMERS

During the Track Record Period, our customers primarily include individual borrowers. We have a broad base of customers, and we do not believe we have customer concentration risks. Our top five customer accounted for less than 0.1% of our total income for the years ended December 31, 2015, 2016, and 2017, respectively.

During the Track Record Period, none of our Directors, their associates or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of our Company's issued share capital) had any interest in any of our top five customers.

SUPPLIERS

Due to the nature of our business, we have no major suppliers. We purchase human resources services from employment agents, IT infrastructure hardware from computer and other hardware suppliers, software licenses from computer software suppliers, and various other services from payment transfer service suppliers, online traffic suppliers, advertising agencies, loan guarantee service suppliers and loan servicing professionals. We also pay trust management fees to the trust plans to which we subscribe subordinated tranches.

Purchases from our five largest suppliers for the years ended December 31, 2015, 2016, and 2017 accounted for approximately 35.7%, 35.7% and 36.5% of our total expenses during those periods, respectively. Our largest supplier for the years ended December 31, 2015, 2016, and 2017 accounted for approximately 27.0%, 30.4%, and 24.8% of our total expenses during those periods, respectively.

During the Track Record Period, none of our Directors, their associates or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers.

EMPLOYEES

As of the Latest Practical Date, we had 1,699 full-time employees (excluding dispatched workers), all of whom were based in China.

The following table sets forth the number of our employees by function as of the Latest Practical Date.

Function	Number of Employees	Percentage
Credit Card Balance Transfer Products Management	67	4.0%
Consumption Credit Products Management	84	5.0%
Online-to-Offline Credit Products Management	79	4.6%
Offline Outlets Operations	371	21.8%
Customer Service and Collection	420	24.7%
Information Technology	230	13.5%
Risk Management	121	7.1%
General Operations and Support	327	19.3%
Total	**1,699**	**100%**

The following table sets forth the number of our employees by geographic region as of the Latest Practical Date.

Geographic Region	Number of Employees	Percentage
Shanghai	729	42.9%
Chengdu	234	13.8%
Suzhou	220	13.0%
Hangzhou	36	2.1%
Qingdao	38	2.2%
Other provincial level regions in China	442	26.0%
Total	**1,699**	**100%**

As of May 31, 2018, we had labor dispatch arrangements with one employment agent with respect to 1,669 dispatched workers. These dispatched workers are not our employees, and most of these dispatched workers hold non-key positions with us, such as sales assistants in our offline outlets and customer service assistants in our call centers. In accordance with the relevant labor dispatch agreements, these employment agents are required to bear the costs of wages, statutory social insurance and housing fund contributions, and any other benefits of these dispatched workers, and we are responsible for paying service fees to these employment agents. Pursuant to applicable PRC laws and regulations, the number of dispatched workers must not exceed 10% of total work force of an entity, including both employees and dispatched workers. As of May 31, 2018, our dispatched workers accounted for approximately half of our total work force. Our PRC Legal Advisor has advised us that according to the Interim Provisions on Labor Dispatch, failure to comply with these provisions may subject us to warnings or orders to rectify our practices within a prescribed time limit, and, if we are unable to rectify within the time limit, a penalty ranging from RMB5,000 to RMB10,000 may be imposed on us for the number of dispatched workers exceeding the 10% limit. The estimated total maximum penalty is RMB13.3 million (based on the number of such dispatched workers as of May 31, 2018). As of May 31, 2018, we had not received any rectification order and were not subject to any fines or other administrative penalties with respect to such dispatched worker arrangements. We have adopted a detailed rectification plan to adjust such dispatched work arrangement and will reduce the proportion of our dispatched workers to 10% or lower of our total work force as soon as practicable by the end of 2018. Specifically, we plan to implement the following measures to reduce the proportion of our dispatched workers out of our total work force: (i) by June 30, 2018, the relevant PRC subsidiaries will adjust their labor dispatch agreements and arrangements with third-party employment agents to reduce and control their respective percentages of dispatched workers to 25% or lower, and will enter into employment contracts with some of the dispatched workers who we consider appropriate and necessary for our operations; and (ii) by December 31, 2018, the relevant PRC subsidiaries will continue to adjust their labor dispatch agreements and arrangements with third-party employment agents, and we will also engage third-party labor outsourcing agents to provide labor services to replace part of the functions currently performed by dispatched workers, to further reduce and control our relevant PRC subsidiaries' respective percentages of dispatched workers to 10% or lower.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives. We also have an established management trainee program to train and retain young talent for our management personnel reserve.

We primarily recruit our employees through recruitment agencies, on-campus job fairs, industry referrals, and online channels. In addition to on-the-job training, we have adopted a training policy, pursuant to which management, technology, regulatory and other training are regularly provided to our employees by internally sourced speakers or externally hired consultants. Our employees may also attend external trainings upon their supervisors' approvals.

As required by PRC laws and regulations in respect of our PRC employment, we participate in housing fund and various employee social security plans that are organized by applicable municipal and provincial government authorities, including housing, pension, medical, work-related injury and unemployment benefit plans, under which we make contributions at specified percentages of the salaries of our employees. We also purchase commercial health and accidental insurance coverage for our employees. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have adopted and plan to grant share-based incentive awards to our eligible employees in the future to incentivize their contributions to our growth and development. For further details on our employee benefits, see the section headed "Accountant's Report—Notes to the Historical Financial Information—Summary of significant accounting policies—Employee benefits" in Appendix I.

We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

INSURANCE

We maintain standard insurance, including vehicle, life and disability, and medical insurance. We obtain our insurance from rep utable insurance carriers in accordance with commercially reasonable standards. In line with general market practice, we do not maintain any business interruption insurance, insurance policies covering damages to our IT infrastructures or information technology systems or any insurance policies for our properties, which are not mandatory under PRC law. For a discussion of risks relating to our insurance coverage, see the section headed "Risk Factors—Risks Relating to Our Business and Industry—Our insurance coverage may not be adequate, which could expose us to a significant costs and business disruptions."

We believe that our insurance coverage is sufficient for its present purposes and is consistent with the insurance coverage of other online consumer finance service providers in China. We periodically review our insurance coverage to ensure that it remains to be sufficient. During the Track Record Period, we did not make any material insurance claims relating to our business.

PROPERTIES

Our headquarters are located at 28/F, Shanghai Landmark Center Tower 1, 88 Sichuan North Road, Shanghai 200085, China. As of the Latest Practicable Date, we owned three office properties in Suzhou, China with an aggregate gross floor area of 583.8 square meters, and leased 131 properties in Hangzhou, Shanghai, Chengdu and various other cities in China with an aggregate gross floor area of approximately 42,500 square meters.

Our owned properties in China serve as our offices and our leased properties in China serve as our offices, call centers and data centers. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as office premises for our business operations. We have obtained the building ownership certificates for our self-owned properties. We believe that there is sufficient supply of properties in China, and thus we do not rely on existing leases for our business operations.

As of the Latest Practicable Date, our relevant lease agreements had lease expiration dates ranging from May 2018 to April 2023.

As of the Latest Practicable Date, landlords of 53 of our leased properties in China had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Consequently, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. Our Directors believe that lack of valid title certificates or relevant authorization documents will not have a material adverse effect on our business, financial condition, and results of operations, because we are able to lease alternative premises, which are readily available, if required by relevant regulatory authorities, without incurring any material cost or time. For a discussion of risks relating to property interest defects, see the section headed "Risk Factors—Risks Relating to Doing Business in China—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."

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the relevant local branches of the PRC Ministry of Housing and Urban Development. As of the Latest Practicable Date, we had not completed lease registration for a substantial majority of the properties we leased in China, primarily due to the difficulty of procuring the relevant landlords' cooperation to register such leases, which is not within our control. Our PRC Legal Advisor has advised us that the lack of registration for the lease contracts will not affect the validity of such lease contracts under PRC law, and that a maximum penalty of RMB10,000 may be imposed for each incident of noncompliance of lease registration requirements. As of the Latest Practicable Date, we had not completed lease contract registration for 131 properties, and our maximum exposure to penalties by relevant PRC authorities for the lack of registration of lease contracts was approximately RMB1,310,000. For new leases going forward, to the extent practicable we will endeavor to procure the relevant landlords to agree to cooperate in lease registration.

As of December 31, 2017, each of our property interests had a carrying amount less than 15% of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our Group's interests in land or buildings.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We do not operate any manufacturing or warehousing facilities. Therefore, we are not subject to significant health, work safety, social or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after approval by our legal department, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, work safety, social or environmental regulations.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We initiate legal proceedings from time-to-time in the ordinary course of our business. During the Track Record Period, we initiated approximately 6,700 legal proceedings to recover delinquent payments from our borrowers with an aggregate amount of RMB428.8 million, of which we successfully recovered RMB34.1 million as of December 31, 2017. We obtained favorable court judgments on approximately 6,300 of these approximately 6,700 legal proceedings, with approximately 400 legal proceedings pending as of December 31, 2017. Of the RMB394.6 million not recovered as of December 31, 2017, RMB360.7 million was relating to the approximately 6,300 legal proceedings in which we obtained favorable judgments or settlements, and RMB33.9 million was relating to the approximately 400 pending legal proceedings. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material litigation as a defendant.

Taking into account our experience and track record in handling delinquent payments, we believe that these legal proceedings initiated by us do not have any significant impact or pose any material risk to our business. As of the Latest Practicable Date, there are no litigation or arbitration proceedings brought by us, or pending or threatened against us or any of our Directors, that could have a material adverse effect on our financial condition or results of operations.

Anti-Money Laundering Procedures

China's anti-money laundering regulatory regime requires financial institutions and certain non-financial institutions with anti-money laundering obligations to establish sound internal control policies and procedures with respect to monitoring and reporting of any suspected money laundering activities. Our PRC Legal Advisor has advised us that we are subject to certain general anti-money laundering requirements specified in the Internet Finance Guidelines. For a discussion of China's anti-money laundering laws and regulations, see the section headed "Regulations—Regulations Relating to Anti-money Laundering."

We have established certain standard procedures as part of our due diligence and risk assessment procedures to ensure that our customers have an ascertainable needs for financing. These procedures include: (i) taking multiple identity verification measures against each loan applicant; (ii) reviewing the purpose of loans specified by the loan applicant; (iii) performing comprehensive analysis to assess the money-laundry risks of the loan applicant; (iv) identifying and monitoring suspicious transactions; (v) reporting the identified suspicious transactions to relevant government authorities (vi) properly maintaining borrower information and transaction records for at least 5 years; and (vi) providing ongoing anti-money laundering training to our employees.

As part of our risk management procedures, we also ensure that loans from us or from our financing partners are deposited to the correct borrowers' bank accounts and use reputable commercial banks as intermediaries for settlement and payment to further reduce money laundering risks.

The Directors are of the view that our standard measures are capable of assisting us to be reasonably alert to potential money laundering risk exposure and to take any appropriate measures.

Compliance with Circular 141

Issued on December 1, 2017, 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. Since then, we have adjusted some of our operations to meet certain new requirements under Circular 141, while the rest of our operations had been compliant with PRC laws and regulations before and after the issuance of Circular 141. The new loans originated under all of our cooperation agreements executed after the issuance of Circular 141 have been compliant with the requirements under Circular 141.

As advised by our PRC Legal Advisor and based on the confirmation from the competent PRC government authorities, we believe that our business currently complies with PRC laws and regulations, including Circular 141, in all material aspects. Except for loans facilitated under certain existing cooperation agreements with our funding partners that were executed prior to the issuance of Circular 141[(1)], the following table sets forth our compliance status with respect to certain new requirements under Circular 141.

Circular 141 Requirements Demanding Our Adjustments	Our Compliance Status Following Adjustments
• A financial institution that offers cash loans through loan facilitation is prohibited from accepting credit enhancement or other similar services from third parties that lack requisite licenses to provide guarantees.	We provide credit enhancement or other similar services through our licensed financing guarantee subsidiary, VC Guarantee.
• A financial institution that offers cash loans through loan facilitation is prohibited from outsourcing credit assessment, risk control, and other key functions to a loan facilitation operator.	To our best knowledge and belief, the funding partners that we work with currently have their own independent credit assessment and risk control and do not outsource these functions to, or solely rely on, us.
• A financial institution that offers cash loans through loan facilitation is prohibited from allowing a loan facilitation operator to charge any fees from borrowers.	We currently do not charge any fees from borrowers as a loan facilitation operator for our loan facilitation business. We charge loan facilitation service fees from our funding partners.
• The aggregate borrowing cost in the form of interest and other fees should be annualized and subject to the limit on interest rate of private lending provided by the PRC Supreme People's Court, though Circular 141 is unclear about the calculation method for the aggregate borrowing cost.	We are currently compliant with this requirement for all loans that are being originated by us, using our own method for calculating the aggregate borrowing cost.

Note:

(1) As advised by our PRC Legal Advisor and based on the confirmation from relevant governmental authorities, we believe that the loans that we facilitated under certain existing cooperation agreements with our funding partners that were executed prior to the issuance of Circular 141 are not subject to Circular 141.

LICENSES, PERMITS AND APPROVALS

Our PRC Legal Advisor has advised that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals, and certificates from the relevant government authorities that are material for our business operations in China. The following table sets forth details of our material licenses and permits.

License/Permit	Holder	Issuing Authority	Issuance Date	Expiry Date
Approval on Small Loan Business Scope(1)	Vision Small Loan Chengdu	Sichuan Financial Service Office	September 27, 2011	December 7, 2031
Approval on Small Loan Business Scope	Vision Small Loan Qingdao	Shandong Financial Service Office	October 23, 2014	March 6, 2044
Approval on Small Loan Business Scope(2)	Vision Small Loan Shanghai	Shanghai Financial Service Office	September 9, 2013	September 15, 2044
Financing Guarantee Institution Operation License	VC Guarantee	Zhejiang Economic and Information Committee	November 13, 2017	November 12, 2022
Approval on Financing Lease Business Scope	Vision Financial Leasing(3)	Suzhou Industrial Park Management Committee	June 28, 2011	July 18, 2041

Notes:

(1) Vision Small Loan Chengdu was permitted by Sichuan Financial Service Office to conduct online small loan business on March 4, 2016.

(2) Vision Small Loan Shanghai was permitted by Shanghai Financial Service Office to conduct online small loan business and issued its loan in May 2015.

(3) As of the Latest Practicable Date, Vision Financial Leasing was not operating any financing lease business.

We confirm, and our PRC Legal Advisor has advised us that, we have fulfilled all relevant regulatory requirements in obtaining the various licenses, permits or approvals that are material for our business operations in China. We are of the view that, to the best of our knowledge and belief, there is no material risk that any of such licenses, permits, and approvals will be revoked prior to their expiration dates. In addition, as advised by our PRC Legal Advisor, our business operations are not subject to any foreign restriction in accordance with relevant PRC laws and regulations and the Guidance Catalog of Industries for Foreign Investment (2017 Revision) (《外商投資產業指導目錄(2017年修訂)》), and we are not required to obtain a VATS License. Therefore, as advised by our PRC Legal Advisor above and based on the confirmation from relevant governmental authorities, we do not violate any mandatory PRC laws and regulations in any material respect for our business operations.

For further information relating to the risks associated with obtaining and renewing licenses, permits, and approvals in China, see the section headed "Risk Factors—Risks Relating to Our Business and Industry—Failure to obtain, renew, or retain requisite licenses, permits, or approvals may adversely affect our ability to conduct or expand our business" and "Risk Factors—Risks Relating to Our Business and Industry—We may be required to obtain value-added telecommunication business licenses, which may be time consuming and costly and interrupt our business."

AWARDS AND RECOGNITION

During the Track Record Period, we have received awards and recognition for our innovation in China's consumer finance market. Some of the significant awards and recognition we have received are set forth below.

Awards/Recognition	Year	Awarding Agency
Most Valuable Consumer Finance Company (最具價值消費金融公司)	2017	YiCai Financial Technology Summit (一財金融科技峰會)
Leading Enterprise with Most Technological Strength (最具技術力領軍企業)	2017	China FinTech Summit (中國FinTech大會)
Excellent National Small Loan Company (全國優秀小額貸款公司)	2017	China Microcredit Companies Association (中國小額貸款公司協會)
Excellent Business Model (全國優秀商業模式)		
Competitive Consumer Finance Company (競爭力消費信貸公司)	2016	The 11th 21 Century Asia Finance Annual Meeting (第十一屆21世紀亞洲金融年會)
Most Valuable Business Model (最具價值消費模式)	2016	Lujiazui Financial Technology and Financing Summit (陸家嘴金融科技投融資峰會)
Shanghai Financial Innovation Award (Second Class) (上海金融創新獎二等獎)	2015	Shanghai Municipal People's Government
Golden Compass Award – Most Innovative Internet Finance Platform: "KaKa" (金羅盤獎 – 最具創新互聯網金融平臺"卡卡")	2015	Shanghai Morning Post (《新聞晨報》)