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Application Proof of

SHANGHAI FUIOU PAYMENT SERVICE CORP., LTD.

上海富友支付服務股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

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Shanghai Fuiou Payment Service Corp., Ltd.

上海富友支付服務股份有限公司

(A joint stock company incorporated in the People’s Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the : [REDACTED] H Shares (subject to the
[REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
[REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
[REDACTED] and the [REDACTED])
[REDACTED] : HK\$[REDACTED] per H Share plus brokerage
of 1.0%, SFC transaction levy of 0.0027%,
AFRC transaction levy of 0.00015% and
the Hong Kong Stock Exchange trading fee
of 0.00565% (payable in full on application,
subject to refund)
Nominal value : RMB1.00 per H Share
[REDACTED] : [REDACTED]

Joint Sponsors



CITIC SECURITIES



申萬宏源香港
SHENWAN HONGYUAN

[REDACTED]

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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (on behalf of the [REDACTED]) and us on the [REDACTED]. The [REDACTED] is expected to be on or before [REDACTED] (Hong Kong time) and, in any event, not later than before [REDACTED] (Hong Kong time). The [REDACTED] will be not more than HK\$[REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by [REDACTED] (Hong Kong time) between the [REDACTED] (on behalf of the [REDACTED]) and us, the [REDACTED] will not proceed and will lapse.

The [REDACTED], on behalf of the [REDACTED], and with our consent, may reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published on the website of the Company at www.fuioupay.com and on the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the [REDACTED].

Prior to making an investment decision, [REDACTED] should consider carefully all of the information set out in this document, including but not limited to the risk factors set out in the section headed “Risk Factors” in this document. The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (on behalf of the Hong Kong [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See “[REDACTED]” of this document.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be [REDACTED], sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The [REDACTED] are being [REDACTED] and [REDACTED] outside the United States in offshore transactions in accordance with [REDACTED].

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE ⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE ⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE ⁽¹⁾

[REDACTED]

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This document is issued by our Company solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to subscribe for or buy any security other than the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an [REDACTED] to sell or a solicitation of an [REDACTED] to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

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SUMMARY

This summary aims to give you an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire Document before you decide to invest in our [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in our [REDACTED] are set out in the section headed “Risk Factors” in this Document. You should read that section carefully before you decide to invest in our [REDACTED].

Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this Document.

OVERVIEW

We are an integrated digital payment technology platform in China across multiple domains providing multichannel payment services as well as technology, management, and other value-added services to empower customers of all sizes and various industries under different commercial scenarios.

Our digital payment technology platform is purpose-built for facilitating authentic commercial activities. Evolving market demands and technological advancements drive us to continuously refine our technologies and offerings with a customer-centric approach. After years of continuous market operation, innovation and accumulation of experience across various commerce scenarios, we have developed a mature digital payment technology platform that empowers business activities and enhances efficiency and security of both capital and information flow.

We hold recognized brand dominance and a prominent market position in China’s integrated digital payment market. We were among the first in China to offer multichannel digital payment and digital commerce-enabling solutions and were among the first to receive approval to carry out cross-border foreign exchange payment services, according to Frost & Sullivan. Many of our offerings are among the first within the industry, such as acquiring services to help our merchant customers collect funds from end-customers, cross-border digital payment and account operation services. The TPV of integrated digital payment services market in China in 2024 was RMB268.6 trillion, dominated by the three largest non-independent integrated digital payment service providers together holding 75.6% of the total market share. We ranked eighth among the integrated digital payment service providers in China in terms of the TPV in 2024, with a market share of 0.8%.

We are committed to providing our customers with secure, convenient and efficient multichannel payment solutions. We have a well-established payment license portfolio in China and hold payment licenses in Hong Kong and the United States. This enables our payment offerings to cover a variety of commercial scenarios in different fields, including (i) commercial payment (offline and online bank card acquiring, QR code payments), (ii) financial payment (including credit card repayment and fund payment) and (iii) cross-border digital payment services (including B2C and B2B), facilitating customers in simplifying payment processes, integrating online and offline payment information, ensuring secure fund flow and providing a robust and scalable payment infrastructure to promote the efficient operation of transaction networks.

SUMMARY

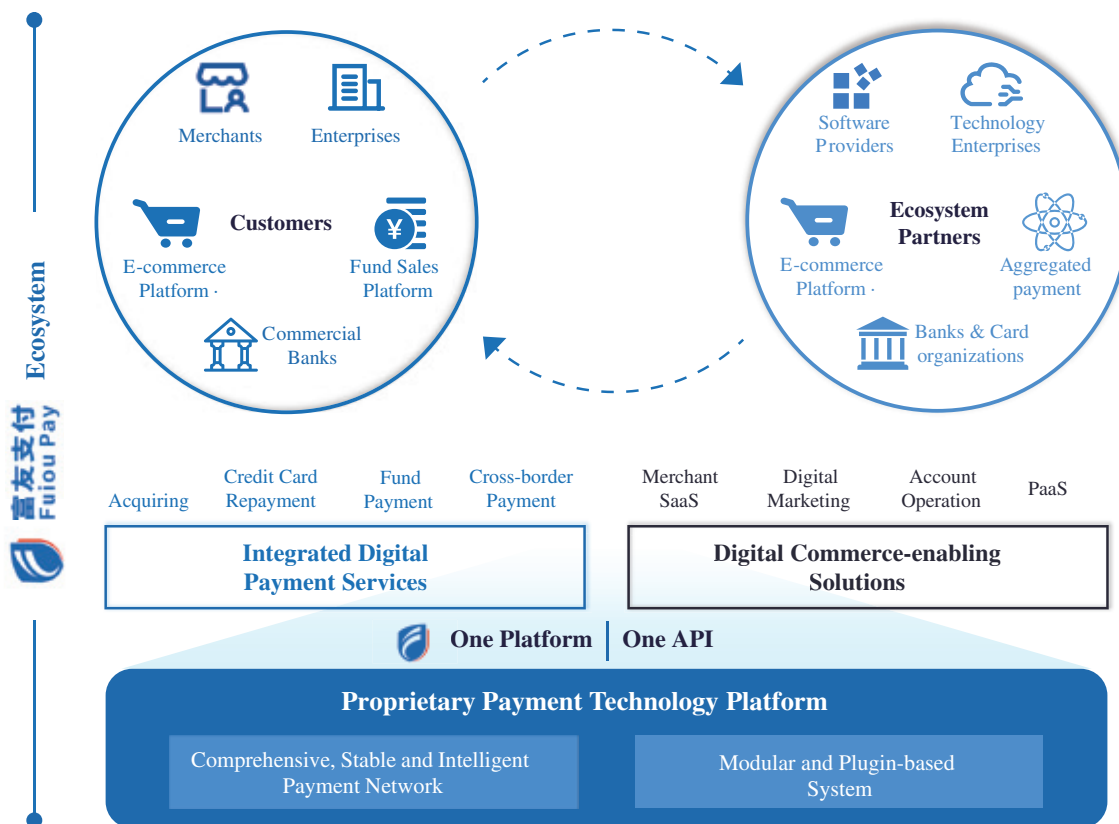
We have established a diversified product and service matrix centered around payment platform, technology, management, and other value-added services catering to varied needs of small and medium-sized merchants and enterprises with our digital solutions in complex business scenarios, including (i) merchant SaaS solutions, which help customers improve their operational efficiency, (ii) digital marketing services, allowing customers to effectively reach their target markets, (iii) account operation services, which cater to our customers, working capital management needs, and (iv) other solutions including PaaS (payment-as-a-service) and electronic invoicing services.

During the Track Record Period, we generated a majority of revenue from integrated digital payment services, in particular, domestic payment services. Meanwhile, our digital commerce-enabling solutions have been growing rapidly and are making an important contribution to our revenue. For our integrated digital payment services, we primarily generate revenue from collecting service fees based on a certain percentage of the TPV and/or charging customers a fixed services fee per transaction. For our digital commerce-enabling solutions, we primarily generate revenue from collecting service fees based on the service scope.

We have established an open ecosystem. Leveraging our license advantages and underlying technological capabilities, we have built a broad, stable and intelligent payment network capable of connecting major global card organizations such as Visa, Mastercard, American Express, JCB and Diners Club, Chinese clearing institutions such as UnionPay, NetsUnion and Liantong and 93 banks globally. We also have an extensive network of channel partners to develop relationships with small and medium-sized merchants and other customers across China to expand the customer base for our services and solutions. Our channel partners are mainly responsible for helping us reach and acquire customers in designated geographic areas or industries, including promoting and advertising our services, expanding our market and industry coverage, and recommending their platform customers to use our services. Meanwhile, we have established strategic partnerships with various types of business partners, primarily including top-tier technology enterprises, e-commerce platforms, software service providers and aggregated payment platforms.

Our open ecosystem promotes the rapid and cost-effective expansion of our newly launched offerings. For example, our merchant SaaS solutions have experienced rapid growth during the Track Record Period, with its revenue increasing from RMB2.6 million in 2022 to RMB17.6 million in 2023, and further to RMB26.9 million in 2024.

SUMMARY



Since our inception and up to December 31, 2024, we had processed a TPV of RMB15.10 trillion and over 54.5 billion payment transactions. In terms of number of processed transactions for acquiring services, we ranked first among independent integrated digital payment service providers in China in 2024, according to Frost & Sullivan. Our customers mainly include small and medium-sized merchants and enterprises in different industry verticals and financial institutions. As of December 31, 2024, our platform had provided services to 5.2 million customers cumulatively, encompassing industries such as retail, food and beverage, leisure and entertainment, finance, among others.

Leveraging the scalability of our technology platform and the network effects of our ecosystem, we had achieved significant growth and operating leverage during the Track Record Period. Our revenue increased from RMB1,142.4 million in 2022 to RMB1,634.3 million in 2024 with a CAGR of 19.6%. The TPV processed by our platform increased from RMB1.73 trillion in 2022 to RMB2.08 trillion in 2024 with a CAGR of 9.7%. The number of transactions processed by our platform increased from 8.6 billion in 2022 to 14.3 billion in 2024 with a CAGR of 28.8%. We saw a decreasing trend in our operating expenses as a percentage of revenue during the Track Record Period, from 22.1% in 2022 to 19.0% in 2024.

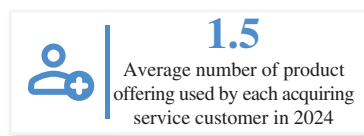
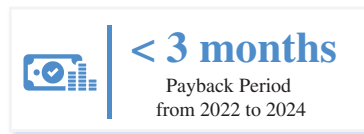
SUMMARY

Our Performance and Achievements

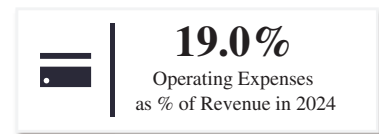
Significant Business Scale



Efficient Unit of Economics



Profitability and Growth



Note:

1. We ranked first among the independent integrated digital payment service providers in aggregated acquiring market in China in terms of the number of transaction in 2024, with a market share of approximately 15.1%, according to Frost & Sullivan. Aggregated acquiring refers to the acquiring activities where the payment is incurred offline, such as checking out at restaurants or supermarkets.
2. In 2024, the average transaction volume contribution of our employees was 28.1 million transactions per employee, ranked first among major players in integrated digital payment market in China, according to Frost & Sullivan.

OUR STRENGTHS

We believe that the following strengths have contributed to our success and differentiated us from our competitors:

- Recognized brand dominance and prominent market position in China’s integrated digital payment market;
- Advanced proprietary digital payment technology platform;
- Open ecosystem with strong network effects;
- Comprehensive and robust risk control system providing stable and reliable safeguards for transactions in authentic commerce scenarios;
- Visionary and seasoned management fostering a vibrant corporate culture.

See “Business – Our Strengths.”

SUMMARY

OUR STRATEGIES

We plan to execute the following strategies to drive our future growth:

- Further expand our customer base;
- Unlock substantial opportunity within existing customer base;
- Continue investing in technology platform and infrastructure, to enhance our product portfolio with differentiated solutions;
- Expand our partners network and enhance our mutually beneficial ecosystem; and
- Further develop our cross-border digital payment services and grow our international business.

See “Business – Our Strategies.”

OUR BUSINESSES

We are an intelligent digital payment technology platform in China providing multichannel payment and commerce-enabling solutions to business of all sizes and various industries under different commerce scenarios. With our extensive expertise in digital payments and related technology capabilities, we have developed and commercialized a growing range of payment and digital services, primarily including:

- ***Integrated Digital Payment Services.*** We provide a comprehensive set of payment services to allow merchants and other customers across industries to process payments in a seamless, convenient and secure way. Our integrated digital payment services primarily include (i) acquiring services, (ii) credit card repayment services and (iii) fund payment services (together referred to as “**domestic payment services**”), and (iv) cross-border digital payment services.
- ***Digital Commerce-enabling Solutions.*** Based on our understanding of customer needs accrued from payment services and building on our strong payment technological capability, we have expanded our business to offer digital commerce-enabling solutions to empower various customers. Our solutions consist of a rich variety of value-added products and services, including (i) merchant SaaS solutions, which help customers improve their operational efficiency, (ii) digital marketing services, allowing customers to effectively reach their target markets, (iii) account operation services, which cater to our customers, working capital management needs, and (iv) other solutions including PaaS and electronic invoicing services.

SUMMARY

We also leverage our proprietary technology platform and robust risk management to ensure the implementation of our regulatory compliance framework. We believe our commitment to regulatory compliance and related efforts has earned the trust of customers and partners, enabling our customers to succeed in the digital transformation in commerce. Through our integrated digital payment services and digital commerce-enabling solutions, we provide a convenient and comprehensive platform for customers that address their core needs. Our services and solutions not only enhance operational efficiency but also create a virtuous cycle that creates complementary effects.

The following table sets forth our revenue by business type during the Track Record Period:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except percentage)</i>						
Integrated digital payment services	1,081,857	94.7	1,414,044	93.9	1,511,513	92.5
Domestic payment services	976,410	85.5	1,322,601	87.8	1,371,570	83.9
– Acquiring services	931,525	81.6	1,289,983	85.7	1,342,145	82.1
– Credit card repayment services	41,391	3.6	28,934	1.9	27,187	1.7
– Fund payment services	3,494	0.3	3,684	0.2	2,238	0.1
Cross-border digital payment services	105,447	9.2	91,443	6.1	139,943	8.6
Digital commerce-enabling solutions	48,537	4.2	79,562	5.3	114,523	7.0
Merchant SaaS solutions	2,611	0.2	17,567	1.2	26,863	1.6
Digital marketing services and other value-added services ⁽¹⁾	45,926	4.0	61,995	4.1	87,660	5.4
– Digital marketing services	37,346	3.3	33,176	2.2	43,410	2.7
– Account operation services	1,432	0.1	16,843	1.1	33,861	2.1
– Other solutions	7,148	0.6	11,976	0.8	10,389	0.6
Others⁽²⁾	12,025	1.1	12,059	0.8	8,220	0.5
Total	1,142,419	100.0	1,505,665	100.0	1,634,256	100.0

Notes:

- (1) Other value-added services consisted of (i) account operation services, and (ii) other solutions including PaaS and electronic invoicing services.
- (2) Others mainly represented rental income generated from lease of investment properties.

SUMMARY

The following table sets forth our gross profit and gross profit margin by business type during the Track Record Period:

	Year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
<i>(RMB in thousands, except percentage)</i>						
Integrated digital payment services	277,351	25.6	312,762	22.1	334,876	22.2
Domestic payment services ⁽¹⁾	225,802	23.1	279,540	21.1	279,946	20.4
– Acquiring services	187,186	20.1	254,599	19.7	255,888	19.1
– Credit card repayment services	35,500	85.8	21,852	75.5	22,127	81.4
– Fund payment services	3,116	89.2	3,089	83.9	1,931	86.3
Cross-border digital payment services	51,549	48.9	33,222	36.3	54,930	39.3
Digital commerce-enabling solutions	40,947	84.4	60,892	76.5	86,173	75.2
Merchant SaaS solutions	1,232	47.2	8,604	49.0	16,957	63.1
Digital marketing services and other value-added services ⁽²⁾	39,715	86.5	52,288	84.3	69,216	79.0
– Digital marketing services	34,611	92.7	29,055	87.6	35,599	82.0
– Account operation services	485	33.9	13,939	82.8	28,150	83.1
– Other solutions	4,619	64.6	9,294	77.6	5,467	52.6
Others ⁽³⁾	6,388	53.1	6,381	52.9	2,402	29.2
Total	324,686	28.4	380,035	25.2	423,451	25.9

Notes:

- (1) Domestic payment services consisted of (i) acquiring services, (ii) credit card repayment services, and (iii) fund payment services.
- (2) Other value-added services consisted of (i) account operation services, and (ii) other solutions including PaaS and electronic invoicing services.
- (3) Others mainly represented gross profit generated from lease of investment properties.

SUMMARY

The following table sets forth our key operating data during the Track Record Period:

	Year ended December 31,		
	2022	2023	2024
TPV (<i>RMB in trillion</i>)	1.73	2.03	2.08
– Domestic Payment Service (<i>RMB in billion</i>)	1,638.2	1,934.0	1,942.1
– Cross-border digital payment services (<i>RMB in billion</i>)	84.9	64.3	70.8
– Account operation services (<i>RMB in billion</i>)	3.0	31.8	64.5
Number of Transactions (<i>billion</i>)	8.6	11.9	14.3
Active Customers ⁽¹⁾ (<i>million</i>)	1.4	1.7	2.1
– Domestic Payment Service (<i>thousand</i>)	1,159.6	1,422.1	1,841.8
– Cross-border digital payment services (<i>thousand</i>)	223.4	218.6	229.1
– Digital commerce-enabling solutions (<i>thousand</i>)	51.8	92.9	162.1
Average Customer Acquisition Cost ⁽²⁾ (<i>RMB</i>)	38.4	35.6	25.5
Payback Period ⁽²⁾ (<i>month</i>)	2.0	1.9	1.7
Average Number of Product Offerings Used by Each Acquiring Service Customer ⁽³⁾	1.2	1.4	1.5
Average Active Terminals Per Merchant ⁽⁴⁾	1.2	1.9	2.1
Cumulative Customers as of Period End (<i>million</i>) ⁽⁵⁾	3.4	4.3	5.2
– Domestic Payment Service (<i>thousand</i>)	2,904.5	3,661.3	4,593.8
– Cross-border digital payment services (<i>thousand</i>)	397.6	468.3	547.7
– Digital commerce-enabling solutions (<i>thousand</i>)	69.8	144.1	259.3
New Customers (<i>million</i>) ⁽⁶⁾	0.9	1.0	1.5

Notes:

- (1) Active customers for a given period refer to those who have at least one transaction activity with our services during that period.
- (2) Average customer acquisition cost for a given period is calculated by dividing marketing and promotion expenses in that period, by the number of newly acquired active customers in the same period. Payback period refers to the amount of time it takes for the net income (after deducting commissions) generated from customers in a given period to cover marketing and promotion expenses spent to acquire those customers. Average customer acquisition cost and payback period are calculated for acquiring services, cross-border digital payment services and merchant SaaS solutions, as they involve marketing and promotion expenses to acquire new customers. Our other business lines focus on existing clients or value-added services for current merchants, for which the average customer acquisition cost and payback period are not applicable.
- (3) Average number of product offerings used by each acquiring service customer for a given period is calculated by dividing the number of active customers of *Rich Boss*, merchant SaaS solutions, digital marketing services, account operation services and electronic invoicing services during that period by the number of active customers of *Rich Boss* in the same period.

SUMMARY

- (4) Average active terminals per merchant for our aggregated acquiring services in a given period is calculated by dividing the number of active terminals in that period, by the number of active merchants in the same period. Note that merchants accessing our payment channel through open platform do not use our terminals and therefore are not included in this calculation.
- (5) Cumulative customers as of a given date refer to the cumulative customers who have at least one transaction activity with our services as of that date. During the Track Record Period, except for our aggregated acquiring services where the payment is incurred offline, all of our merchant customers were from online channel.
- (6) New customers for a given period refer to customers who have at least one transaction activity with our services during that period but have not transacted with us before the start date of that period.

See “Business – Our Businesses.”

CUSTOMERS AND SUPPLIERS

Our customers primarily include merchants and financial institutions. Our major customers primarily consist of financial institutions due to their significant transaction volumes and service needs, whereas our merchant client base, though extensive, contributes relatively lower revenue per client. Financial institutions primarily include commercial banks and other licensed financial institutions. Merchants primarily engage in online and offline retail and restaurant businesses and transact with end-buyers and consumers. Revenue from our five largest customers in each year of the Track Record Period accounted for 6.6%, 3.7% and 3.7% of our total revenue for the respective years. Revenue from our largest customer in each year of the Track Record Period accounted for 2.5%, 1.3% and 1.2% of our total revenue for the respective years.

Our suppliers primarily include channel partners that we pay commission fees to and payment terminal manufacturers which supply us with POS terminals. Purchase amount from our five largest suppliers in each year of the Track Record Period accounted for 36.3%, 30.3% and 33.2% of our total cost of sales for the respective years. Purchase amount from our largest supplier in each year of the Track Record Period accounted for 22.2%, 20.8% and 19.0% of our total cost of sales for the respective years.

See “Business – Our Customers” and “Business – Our Suppliers.”

COMPETITIVE LANDSCAPE

The integrated digital payment industry is competitive and evolving. We face intense competition from other integrated digital payment service providers. According to Frost & Sullivan, there were 175 third-party payment service providers that obtained payment business licenses in China as of December 31, 2024. Some of these providers have stronger brand recognition, greater financial resources and larger customer bases than we do, which may provide them with significant competitive advantages. See “Risk Factors – Risks Relating to Our Business and Industry – We face intense competition in the industries where we operate. Our inability to compete effectively could materially and adversely affect our business, financial condition and results of operations.”

We believe our principal competitive advantages primarily include our well-established payment license portfolio in China, diversified product and service matrix, open ecosystem, comprehensive payment network and technology platform capabilities and mutually beneficial relationships with our ecosystem partners.

SUMMARY

In addition, this industry is affected by changes in government regulations and policies. If we are unable to adopt or comply with such changes, we may not be able to compete effectively. See “Regulatory Overview.”

See “Industry Overview” for more details of the competitive landscape of each relevant market regarding our products and services.

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors.” You should read that section in its entirety carefully before you decide to invest in our [REDACTED]. Some of the major risks we face include:

- Our success depends on our ability to develop and continually enhance our services and solutions to timely respond or adapt to the rapidly evolving markets where we operate;
- Market, economic and other conditions may adversely impact the demand for our services;
- We are subject to extensive regulatory requirements, and noncompliance with or changes to these regulatory requirements may affect our business operations and financial results;
- We face intense competition in the industries where we operate. Our inability to compete effectively could materially and adversely affect our business, financial condition and results of operations;
- If we are unable to retain existing customers, acquire new customers, and increase revenue from our customer base, our financial condition and results of operations would be materially and adversely affected;
- We rely on business partners primarily including banks, clearing institutions and payment networks, e-commerce platforms, SaaS providers and aggregated payment platforms, that support our digital payment and commerce-enabling services. Any failure by these business partners to perform their obligations or services adequately or on acceptable terms, or any failure of maintaining our cooperation could materially and adversely affect our business;
- If we fail to maintain our relationship with our channel partners, or to properly manage them, our reputation, business, financial condition and results of operations may be materially and adversely affected;
- We rely on third parties for various aspects of our business. Any failure by these third parties to provide services or perform their obligations adequately or on acceptable terms could materially and adversely affect our business;
- The financial institutions that we collaborate with are highly regulated. Failures or disruptions of their operation due to failure to comply with regulations may adversely affect our business, results of operations and reputation; and
- The strengths and market acceptance of our brands are important to our success. Failure to maintain, protect and enhance our brands may hurt our business.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary of consolidated financial information should be read together with the consolidated financial information to the Accountants’ Report in Appendix I to this document, including the accompanying notes and the information set out in “Financial Information” in this document.

Summary of Consolidated Statements of Profit or Loss

The following table sets out a summary of our results of operations for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Revenue	1,142,419	1,505,665	1,634,256
Cost of sales	(817,733)	(1,125,630)	(1,210,805)
Gross profit	324,686	380,035	423,451
Other income and other gains or losses – net.	16,778	20,955	(8,717)
Selling and distribution expenses	(111,577)	(141,386)	(137,319)
Research and development expenses	(53,793)	(56,880)	(60,698)
Administrative expenses	(87,502)	(92,088)	(112,085)
Reversal of impairment/(impairment loss) on financial assets – net.	(382)	907	(673)
Operations profit	88,210	111,543	103,959
Finance income	2,953	2,103	1,651
Finance costs	(7,495)	(6,709)	(7,282)
Share of net loss of joint venture accounted for using the equity method	(2,229)	(3,613)	(3,842)
Share of net profit/(loss) of associates accounted for using the equity method	215	1,897	(1,386)
Profit before income tax	81,654	105,221	93,100
Income tax expense	(10,489)	(12,237)	(8,775)
Profit for the year	71,165	92,984	84,325
Owners of the Company	71,535	93,165	84,065
Non-controlling interests	(370)	(181)	260

SUMMARY

Non-IFRS measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures have limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS. We define adjusted net profit (non-IFRS measure) as net profit for the year adjusted by adding back share-based payments and [REDACTED], and adjusted net profit margin (non-IFRS measure) as adjusted net profit (non-IFRS measure) for the year divided by revenue for the year and multiplied by 100%. The adjustments have been consistently made during the Track Record Period.

The following table reconciles our adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) for the years presented to the IFRS measure of profit for the year:

	Year ended December 31,		
	2022	2023	2024
	<i>(RMB in thousands, except percentage)</i>		
Profit for the year	71,165	92,984	84,325
Add:			
Share-based payments ⁽¹⁾	10,183	14,826	6,765
[REDACTED] ⁽²⁾	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit (non-IFRS measure)	81,348	107,810	115,567
Adjusted net profit margin (%) (non-IFRS measure)	7.1	7.2	7.1

Note:

- (1) Share-based payments represent the non-cash employee benefit expenses arising from granting restricted shares to selected employees. Such expenses in any specific period are not expected to result in future cash payments.
- (2) [REDACTED] represent professional fees and other fees incurred in connection with the [REDACTED].

SUMMARY

Our adjusted net profit margin (non-IFRS measure) remained relatively stable at 7.1% in 2022 and 7.2% in 2023. Our adjusted net profit margin (non-IFRS measure) decreased from 7.2% in 2023 to 7.1% in 2024, primarily due to an increase in [REDACTED], partially offset by a decrease in net profit margin.

Net Profit

Our net profit increased by 30.7% from RMB71.2 million in 2022 to RMB93.0 million in 2023, primarily due to an increase in gross profit from domestic payment services mainly attributable to the expansion of our acquiring service customers as a result of our service innovations, partially offset by an increase in selling and distribution expenses primarily due to an increase in staff costs.

Our net profit decreased by 9.3% from RMB93.0 million in 2023 to RMB84.3 million in 2024, primarily due to an increase in other losses resulting from repayment of input value-added tax surplus deduction and an increase in administrative expenses as we recorded [REDACTED] in 2024. Due to a recent change in the interpretation of enterprises’ eligibility for certain tax deduction policies that used to apply to enterprises across the payment industry, as a tax rectification operation by the Shanghai Pudong New Area Tax Bureau, it was determined in July 2024 that we became ineligible for certain VAT credit schemes we electrically filed for and received approval for from the tax authority annually in prior years, leading to our repayment of the relevant tax deductions from April 2019 to December 2023, along with associated late fees totaling approximately RMB31.8 million to the Shanghai Pudong New Area Tax Bureau, which had been paid in full in July 2024. See “Financial Information – Selected Items from Consolidated Statements – Other Income and Other Gains or Losses – Net” and Note 8 to the Accountants’ Report included in Appendix I to this document.

Summary of Consolidated Balance Sheets

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Total current assets	3,642,959	4,487,816	2,944,224
Total non-current assets	626,955	643,197	601,067
Total assets	4,269,914	5,131,013	3,545,291
Total current liabilities	3,522,436	4,407,190	2,783,022
Total non-current liabilities	162,288	151,045	134,589
Total liabilities	3,684,724	4,558,235	2,917,611
Net current assets	120,523	80,626	161,202
Net assets	585,190	572,778	627,680
Non-controlling interests	(163)	(344)	5,028

SUMMARY

Net Current Assets

Our net current assets decreased from RMB120.5 million as of December 31, 2022 to RMB80.6 million as of December 31, 2023, primarily due to (i) an increase in trade payables in line with our business growth, (ii) an increase in dividend payables and (iii) an increase in staff costs and welfare accruals in line with our business expansion, partially offset by (i) an increase in bank balances and cash in line with our business growth and (ii) a decrease in financial assets at FVTPL primarily due to full redemption of wealth management products.

Our net current assets increased from RMB80.6 million as of December 31, 2023 to net current assets of RMB161.2 million as of December 31, 2024, primarily due to (i) an increase in time deposits with maturity over three months and (ii) an increase in bank balances and cash, partially offset by an increase in borrowings to supplement our working capital.

Net Assets

Our net assets decreased from RMB585.2 million as of December 31, 2022 to RMB572.8 million as of December 31, 2023, primarily due to dividend declared of RMB120.0 million, partially offset by (i) profit for 2023 of RMB93.0 million and (ii) equity-settled shared-based transactions of RMB14.8 million.

Our net assets increased from RMB572.8 million as of December 31, 2023 to net assets of RMB627.7 million as of December 31, 2024, primarily due to (i) profit for the year ended December 31, 2024 of RMB84.3 million and (ii) equity-settled shared-based transactions of RMB6.8 million, partially offset by dividend declared of RMB40.0 million.

Summary of the Consolidated Cash Flows Statements

The following table sets out a summary of our cash flow for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	(RMB in thousands)		
Net cash generated from operating activities	80,191	232,524	140,659
Net cash generated from/(used in) investing activities	17,183	(14,120)	(49,247)
Net cash used in financing activities	(62,638)	(113,420)	(51,794)
Net increase in cash and cash equivalents	34,736	104,984	39,618
Cash and cash equivalents at the beginning of the year	165,043	203,456	313,534
Effects of exchange rate changes on cash and cash equivalents	3,677	5,094	(1,078)
Cash and cash equivalents at the end of the year	203,456	313,534	352,074

SUMMARY

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Revenue growth rate (%) ⁽¹⁾	3.7	31.8	8.5
– Integrated digital payment services (%) ⁽²⁾	2.5	30.7	6.9
– Digital commerce-enabling solutions (%) ⁽³⁾	41.4	63.9	43.9
Gross profit margin (%) ⁽⁴⁾	28.4	25.2	25.9
Operating expenses as a percentage of revenue (%) ⁽⁵⁾	22.1	19.3	19.0
Net profit margin (%) ⁽⁶⁾	6.2	6.2	5.2
Adjusted net profit margin (%) (non-IFRS measure) ⁽⁷⁾	7.1	7.2	7.1

Notes:

- (1) Revenue growth rate equals revenue growth divided by revenue for the previous year.
- (2) Revenue growth rate for integrated digital payment services equals revenue growth for integrated digital payment services divided by revenue for integrated digital payment services for the previous year.
- (3) Revenue growth rate for digital commerce-enabling solutions equals revenue growth for digital commerce-enabling solutions divided by revenue for digital commerce-enabling solutions for the previous year.
- (4) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.
- (5) Operating expenses as a percentage of revenue equals the sum of selling and distribution expenses, research and development expenses and administrative expenses divided by revenue and multiplied by 100%.
- (6) Net profit margin equals profit for the year divided by revenue and multiplied by 100%.
- (7) Adjusted net profit margin (non-IFRS measure) equals adjusted net profit (non-IFRS measure) for the year divided by revenue for the year and multiplied by 100%. See “– Non-IFRS Measures.”

Gross Profit Margin

Our gross profit margin decreased from 28.4% in 2022 to 25.2% in 2023, primarily due to (i) a decrease in gross profit margin for domestic payment services from 23.1% in 2022 to 21.1% in 2023 primarily attributable to an increase in commission in acquiring services as a result of higher trading volume, which enabled certain channel partners to receive higher rates of commissions in 2023 as part of our pricing strategy to strengthen cooperation with channel partners, (ii) a decrease in gross profit margin for cross-border digital payment services business from 48.9% in 2022 to 36.3% in 2023 primarily attributable to decreased service fee charges and increased commission as a result of market competition. Our gross profit margin remained relatively stable at 25.2% in 2023 and 25.9% in 2024.

SUMMARY

IMPACT OF COVID-19 OUTBREAK

During the Track Record Period, the COVID-19 pandemic has caused restrictions on consumption activities, which in turn had an adverse impact on the payment industry in China. Small and medium-sized merchants have faced challenges in maintaining their physical operations, resulting in a decrease in offline transactions and a negative impact on the acquiring market. During the same periods, primarily due to the impact of the COVID-19 pandemic on our acquiring business, the revenue growth rate of our domestic payment services was at a moderate rate of 8.5% as compared to 35.5% from 2022 to 2023 since the COVID-19 pandemic has subsided. We experienced a decrease in average TPV per active customer for aggregated acquiring in 2022, primarily due to weakened consumer spending during the pandemic and an increase in the number of small and medium-sized customers. Despite occasional disruption to merchants’ physical operations during the pandemic, we successfully expanded our customer base by concentrating on small and medium-sized merchants through sales activities and collaboration with channel partners. This approach helped mitigate the pandemic’s impact and enabled us to maintain overall growth for our business. In addition, our operations are distributed across various regions in China. While a few cities experienced lockdown for a certain period during 2022, most regions in China were not subject to the same level of restrictions. This geographical diversity allowed us to continue engaging with small and medium-sized merchants in areas where operations were less affected. By leveraging our widespread presence, we were able to adapt swiftly to regional variations in restrictions, ensuring continued support and service delivery to our customers. This approach not only facilitated the resilience of our operations but also allowed us to capitalize on opportunities in less affected areas, thereby sustaining our growth trajectory during challenging times.

Notwithstanding the global outbreak of the COVID-19 pandemic, our business showed resilience and maintained an upward trend during the Track Record Period. In response to the negative impact on the acquiring market, we actively expanded our collaboration with banks in the acquiring sector, broadening merchant networks across various industries and different geographical regions. This approach enabled us to maintain a steady growth in both the number of active merchants and the amount of TPV processed. In 2022, 2023 and 2024, we have collaborated with 200, 234 and 217 local branches for providing acquiring services, respectively. Our revenue increased from RMB1,142.4 million in 2022 to RMB1,634.3 million in 2024 with a CAGR of 19.6%. The TPV processed by our platform increased from RMB1.73 trillion in 2022 to RMB2.08 trillion in 2024, with a CAGR of 9.7%. We believe that the COVID-19 pandemic did not have a material adverse effect on our business operations or financial performance during the Track Record Period.

SUMMARY

OUR CONTROLLING SHAREHOLDER

As of the Latest Practicable Date, Fuiou Group held approximately 61.00% of the total issued share capital of our Company. Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Fuiou Group will hold approximately [REDACTED]% of our total issued share capital, and therefore will remain as our Controlling Shareholder. See “Relationship with Our Controlling Shareholder” for further details.

We have entered into and are expected to continue to conduct certain transactions after the [REDACTED] with our Controlling Shareholder and/or its associates, which will constitute continuing connected transactions under Chapter 14A of Listing Rules. See “Connected Transactions” for further details.

PRE-[REDACTED] INVESTMENTS

We have engaged in Pre-[REDACTED] Investments with our Pre-[REDACTED] Investors. For further details of the identity and background of the Pre-[REDACTED] Investors and the principal terms of the Pre-[REDACTED] Investments, see “History, Development and Corporate Structure – Pre-[REDACTED] Investments.”

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] new Shares are allotted and issued in the [REDACTED], (ii) the [REDACTED] is not exercised, and (iii) [REDACTED] Shares are issued and outstanding following the completion of the [REDACTED]:

	Based on an [REDACTED] of HK\$[REDACTED] per Share	Based on an [REDACTED] of HK\$[REDACTED] per Share
[REDACTED] ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] consolidated net tangible assets per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately after completion of the [REDACTED], assuming the [REDACTED] is not exercised.
- (2) The unaudited [REDACTED] consolidated net tangible asset attributable to the equity holder of our Company per Share is based on the consolidated statements of financial position as of December 31, 2024. For further details, see Appendix II to this document.
- (3) The Company considered the subsequent events as disclosed in Note 47 to the Accountants’ Report included in Appendix I to this document, and there was no impact to the adjusted [REDACTED] net tangible assets. No adjustment has been made to the unaudited [REDACTED] adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2024.

SUMMARY

FUTURE PLANS AND [REDACTED]

We estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED], after deducting the [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED], assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the midpoint of the [REDACTED] stated in this document) and assuming that the [REDACTED] is not exercised.

Assuming that the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]), we intend to use the net [REDACTED] from the [REDACTED] for the following purposes:

- Approximately [35.0]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to enhance our product portfolio with differentiated solutions;
- Approximately [30.0]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to invest in technology platform and infrastructure to enhance our technological capabilities;
- Approximately [15.0]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to further expand our payment network and deepen our relationships with ecosystem partners;
- Approximately [10.0]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to expand our overseas business to strengthen our market position and implement our growth strategy; and
- Approximately [10.0]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used for working capital and general corporate purposes.

See “Future Plans and [REDACTED].”

DIVIDEND

In 2022, we declared and paid interim dividends of RMB25.0 million. In 2023, we declared interim dividends of RMB120.0 million, of which RMB91.6 million was paid in 2023 and RMB28.4 million was paid in January 2024. In 2024, we declared interim dividends of RMB40.0 million, of which RMB39.0 million was paid during 2024 and the remaining RMB1.0 million is expected to be paid by the third quarter of 2025. In 2025, we declared interim dividends of RMB40.0 million, of which RMB24.4 million was paid in March 2025 and the remaining RMB15.6 million is expected to be paid by the second quarter of 2025. All of the dividends were paid in cash. No other dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period.

SUMMARY

We do not have any dividend policy. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends should be paid only out of the profit for the year calculated according to PRC accounting principles, while the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects. PRC laws also require our subsidiaries to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

[REDACTED] EXPENSE

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] stated in this document), the aggregate commissions and fees, together with the Stock Exchange [REDACTED] fee, AFRC transaction levy, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the [REDACTED], which are payable by us, are estimated to amount in aggregate to be approximately RMB[REDACTED], accounting for [REDACTED]% of the gross [REDACTED] from the [REDACTED], of which RMB[REDACTED] has been charged to our consolidated statements of profit or loss in the year ended December 31, 2024, approximately RMB[REDACTED] is expected to be charged to profit and loss after the Track Record Period, and approximately RMB[REDACTED] is directly attributable to the [REDACTED] and [REDACTED] of our [REDACTED] and will be deducted from equity upon the [REDACTED]. By nature, our [REDACTED] expenses are composed of (i) [REDACTED] of approximately RMB[REDACTED], and (ii) non-[REDACTED] related expenses of approximately RMB[REDACTED], which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB[REDACTED] and other fees and expenses of approximately RMB[REDACTED].

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Recent Regulatory Development

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Trial Measures”) and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, Domestic Enterprises (as defined in the Trial Measures) that seek to offer and list securities overseas, directly or indirectly, should fulfill the filing procedure and report relevant information to the CSRC. See “Regulatory Overview – Regulations Relating to the Overseas Issuance and Listing of Securities by Domestic Enterprises.” We are required to file with the CSRC in accordance with the Trial Measures after our application for [REDACTED] is initially submitted.

SUMMARY

In order to ensure the implementation of the regulations on non-bank payment institutions, the PBOC issued the Implementing Rules for the Regulations on Supervision and Administration of Non-Bank Payment Institutions (《非銀行支付機構監督管理條例實施細則》) (the “**Implementing Rules**”), which came into effect on July 9, 2024. The Implementing Rules stipulate that payment institutions are required to comply with the conditions for establishment and the prescribed ratio of net assets to average daily balance of reserves as specified in the Implementing Rules and the Regulations on Supervision and Administration of Non-Bank Payment Institutions (《非銀行支付機構監督管理條例》) (the “**Regulations**”) prior to the end of the transition period. For details, see “Regulatory Overview – Regulations Relating to Payment Services of Non-Bank Payment Institutions – Regulations on Non-bank Payment Institutions.” Our PRC Legal Advisors are of the view that we were in compliance with the Implementing Rules in all material aspects since its effective date and up to the Latest Practicable Date, for the following reasons: (i) according to the Implementing Rules, the transition period for each non-bank payment institution is from the effective date of the Implementing Rules to the expiration date of its payment business permit. Our Payment Business Permit is valid until August 28, 2026, providing us with a relatively long transition period to adjust our business to fully comply with the Implementing Rules; (ii) as of the Latest Practicable Date, we have conducted a self-examination in accordance with the Regulations and the Implementing Rules, and provided relevant supporting documents to confirm that we were in compliance with the Implementing Rules in all material aspects; and (iii) we obtained the renewed Payment Business Permit from the PBOC on May 30, 2024 (after the implementation of the Regulations). As of the Latest Practicable Date, we had not received any rectification opinions nor have we been subject to any inspections or investigations by relevant governmental authorities regarding the Implementing Rules.

We will continuously monitor legislative and regulatory developments related to non-bank payment institutions to ensure compliance with relevant requirements. However, as the industry where we operate is emerging and evolving, the applicable laws, rules, and regulations are continually developing and evolving. Any changes in the relevant rules and regulations may result in an increase in our cost of compliance, or might restrict our business activities. See “Risk Factors – Risks Relating to our Business and Industry – We are subject to extensive regulatory requirements, and non-compliance with or changes to these regulatory requirements may affect our business operations and financial results.”

No Material Adverse Change

Our Directors have confirmed that, as of the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since December 31, 2024 (being the end date of our latest audited financial statements) and there has been no event since December 31, 2024 that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this document
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles of Association” or “Articles”	the articles of association of our Company, which was passed by our Shareholders at the Shareholders’ meeting on April 20, 2024, which shall become effective on the [REDACTED], as amended, supplemented, or otherwise modified from time to time, a summary of which is set out in Appendix VI to this document
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board of our Company
“Board” or “Board of Directors”	the board of Directors of our Company
“Board Committee(s)”	the board committees of our Company, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee
“Business day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), the predecessor of NFRA

[REDACTED]

“China” or “PRC”	the People’s Republic of China for the purpose of this document and for geographical reference only, except where the context requires, references in this document to “China” and the “PRC” do not apply to Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region
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DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Shanghai Fuiou Payment Service Corp., Ltd. (上海富友支付服務股份有限公司), formerly known as Shanghai Fuiou Payment Service Corp., Ltd. (上海富友支付服務有限公司), a limited liability company established under the laws of the PRC on July 25, 2011 and converted into a joint stock limited company in the PRC on May 16, 2017
“Compliance Advisor”	has the meaning ascribed to it under the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Fuiou Group, for further details, see “Relationship with Our Controlling Shareholder” in this document
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	the directors of our Company
“Domestic [REDACTED] Share(s)”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and not [REDACTED] on any stock exchange
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

DEFINITIONS

[REDACTED]

“Fuiou Group”	Shanghai Fuiou Financial Services Group Co., Ltd. (上海富友金融服務集團股份有限公司), formerly known as Shanghai Fuiou Financial Services Co., Ltd. (上海富友金融服務有限公司), a limited liability company established under the laws of the PRC on June 23, 2009 and converted into a joint stock limited company in the PRC on December 30, 2015, and our Controlling Shareholder
“Fuiou Hao”	Shanghai Fuyou Investment Center (Limited Partnership) (上海富友號投資中心(有限合夥)), a limited partnership established under the laws of the PRC on June 15, 2015 and a Shareholder of our Company controlled by Dr. Chen Jian, our executive Director, as its general partner

[REDACTED]

“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	our Company and subsidiaries from time to time
“HK\$” or “HK dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“H Share(s)”	Overseas [REDACTED] foreign invested ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of [REDACTED] and permission to [REDACTED] on the Stock Exchange

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong” or “HK” the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“Hong Kong Stock Exchange” or The Stock Exchange of Hong Kong Limited
“Stock Exchange”

[REDACTED]

DEFINITIONS

“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Independent Third Party(ies)”	any entity(ies) or person(s) who to the best of our Directors’ knowledge, information and belief, is not a connected person of our Company within the meaning of the Listing Rules
“Internal Control Consultant”	BDO Risk Advisory Services Limited, an independent internal control consultant engaged by us

[REDACTED]

DEFINITIONS

“Joint Sponsors” CITIC Securities (Hong Kong) Limited and Shenwan Hongyuan Capital (H.K.) Limited

“Latest Practicable Date” April 29, 2025, being the latest practicable date prior to the date of this document for the purpose of ascertaining certain information contained in this document

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

[REDACTED]

“MIIT” Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)

“MOF” Ministry of Finance of the PRC (中華人民共和國財政部)

“MOFCOM” Ministry of Commerce of the PRC (中華人民共和國商務部)

“Negative List” the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition), most recently jointly promulgated by the MOFCOM and the NDRC on December 27, 2021 and which became effective on January 1, 2022, as amended, supplemented or otherwise modified from time to time

“NFRA” National Financial Regulatory Administration (國家金融監督管理總局)

“Nomination Committee” the nomination committee of the Board of our Company

DEFINITIONS

[REDACTED]

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PCAC”	Payment & Clearing Association of China (中國支付清算協會)
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“PRC Data Compliance Legal Advisor”	Grandall Law Firm (Beijing), our legal advisor as to PRC data compliance law
“PRC GAAP”	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“PRC Legal Advisors”	Grandall Law Firm (Shanghai), our legal advisors as to the laws of the PRC

DEFINITIONS

“Pre-[REDACTED] Investment(s)” the Pre-[REDACTED] investments in our Company undertaken by the Pre-[REDACTED] Investors, details of which are set out in the section headed “History, Development and Corporate Structure” in this document

“Pre-[REDACTED] Investors” the investor(s) who participated in our Pre-[REDACTED] Investments, details of which are set out in the section headed “History, Development and Corporate Structure” in this document

[REDACTED]

“document” this document being issued in connection with the [REDACTED]

“province” each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC

[REDACTED]

“Remuneration and Appraisal Committee” the remuneration and appraisal committee of the Board of our Company

“RMB” or “Renminbi” Renminbi, the lawful currency of the PRC

“SAFE” State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable

“SAMR” the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)

“SAT” State Taxation Administration of the PRC (中華人民共和國國家稅務總局)

DEFINITIONS

“Securities Law” or “PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Mingxian”	Shanghai Mingxian Information Technology Co., Ltd. (上海明獻信息科技有限公司), a limited liability company established under the laws of the PRC on April 26, 2019, one of our subsidiaries
“Shanghai Tianyou”	Shanghai Tianyou Enterprise Management Service Partnership (Limited Partnership) (上海添友企業管理服務合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 8, 2021, an employee incentive platform of Fuiou Group controlled by Dr. Chen Jian, our executive Director, as its general partner
“Shanghai Tianzhifu”	Shanghai Tianzhifu Enterprise Management Service Partnership (Limited Partnership) (上海添之富企業管理服務合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 8, 2021, our employee incentive platform
“Shanghai Tianzi”	Shanghai Tianzi Investment Center (Limited Partnership) (上海添資投資中心(有限合夥)), a limited partnership established under the laws of the PRC on June 7, 2012, a Shareholder of our Company controlled by Mr. Fu Xiaobing, our executive Director and the general manager of our Company, as its general partner
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)

[REDACTED]

“Strategy Committee”	the strategy committee of the Board of our Company
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Supervisor(s)”	member(s) of our Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three financial years ended December 31, 2022, 2023 and 2024
“Trial Measures”	the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法)

[REDACTED]

“U.S.” or “United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“US\$,” “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States

[REDACTED]

“%”	per cent
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In this document, the terms “associate,” “close associate,” “connected person,” “core connected person,” “connected transaction,” “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“acquiring”	one of our integrated digital payment services to help our merchant customers collect funds from end-customers, including aggregated acquiring and online acquiring services
“active customers”	customers who have at least one transaction activity with our services during a given period
“active terminals”	terminals with at least one transaction activity in a given period
“aggregated acquiring”	the acquiring activities where the payment is incurred offline, such as checking out at restaurants or supermarkets. The term “aggregated acquiring” is used instead of “offline acquiring” because, although the payments are incurred offline, such as checking out at restaurants or supermarkets, the fund flow occurs through online channels such as banks and digital wallets. According to Frost & Sullivan, “aggregated acquiring” is a common term in the payment industry
“average active terminals per merchant”	a metric calculated by dividing the number of active terminals in a given period, by the number of active merchants in that period
“AI”	artificial intelligence, intelligence exhibited by machines in the area of computer science that emphasizes the creation of intelligent machines that work and react like humans or other natural intelligence
“algorithm”	a procedure or formula for solving a problem, based on conducting a sequence of specific actions, especially by a computer
“American Express”	American Express Company, a bank holding company and multinational financial services corporation that specializes in payment cards based in the United States
“API”	application programming interface
“App(s)”	mobile application(s) and software(s) designed to run on smartphone and other mobile devices
“average customer acquisition cost”	a metric calculated by dividing marketing and promotion expenses in a given period, by the number of newly acquired active customers in that period
“B2B”	business-to-business
“B2C”	business-to-consumer
“CAGR”	compound annual growth rate

GLOSSARY OF TECHNICAL TERMS

“channel partner”	service provider who assists us with acquiring small and medium-sized merchants to become our customers
“client reserve funds”	funds received on behalf of our clients from processing payments which are payable to clients
“CPM”	cost per mille, a non-performance-based pricing model where advertising is paid based on one thousand impressions of the advertisement
“CPS”	cost per sale, a performance-based pricing model where advertising is paid based on the amount of actual sales
“Diners Club”	Diners Club International Ltd, a charge card company based in the United States
“ESG”	environmental, social and governance
“e-wallet”	digital wallet, which allows users to store cash and make payments online and offline
“fraud loss rate”	the loss rate of transaction amount due to transactions denied by cardholders
“IT”	information technology
“JCB”	JCB Co., Ltd., a credit card company based in Japan
“KYB”	know-your-business
“KYC”	know-your-customer
“kWh”	kilowatt-hour, a unit of energy equal to one kilowatt of power sustained for one hour
“Liantong”	Express (Hangzhou) Technology Service Company Limited (連通(杭州)技術服務有限公司), a bankcard clearing company based in the PRC
“Mastercard”	Mastercard Incorporated, a payment-technology corporation based in the United States
"Mastercard Netsunion"	a joint venture of Mastercard and NetsUnion
“m ³ ”	cubic meter(s)

GLOSSARY OF TECHNICAL TERMS

“NetsUnion”	NetsUnion Clearing Corporation (網聯清算有限公司), a unified clearing platform company based in the PRC
“NFC”	near field communication
“OCR”	optical character recognition
“PaaS”	payment-as-a-service
“payback period”	the amount of time it takes for the net income (after deducting commissions) generated from customers in a given period, to cover marketing and promotion expenses spent to acquire those customers
“PC”	personal computer
“POS”	point of sales
“QR code”	quick response code
“R&D”	research and development
“SaaS”	software-as-a-service
“SDK”	software development kit
“tCO ₂ e”	ton(s) of carbon dioxide equivalent
“ton(s)”	metric ton(s), where one metric ton equals 1,000 kilograms
“TPV”	total payment volume
“UnionPay” or “China UnionPay”	China UnionPay Co., Ltd. (中國銀聯股份有限公司), a bank card clearing house and bank card association in the PRC
“Visa”	Visa Inc., a multinational payment card services corporation based in the United States

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industries and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the jurisdictions where we operate and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans; and
- various business opportunities that we may pursue.

FORWARD-LOOKING STATEMENTS

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are subject to extensive regulatory requirements, and noncompliance with or changes to these regulatory requirements may affect our business operations and financial results.

As a company operating in the integrated digital payment industry, we and our subsidiaries, associates, joint ventures and affiliates, as well as our business partners, and other business participants on our platform, are subject to a broad range of laws, regulations or government policies on e-commerce, digital payment, foreign exchange control, data collection and data security, privacy and consumer protection and are required to obtain and maintain relevant approvals, licenses, permits and qualifications in China and globally. We are subject to a number of laws and regulations promulgated by various authorities, such as the PBOC, the SAFE, the CSRC, the MIIT, the CAC and the NDRC which oversee different domains of the third-party payment business in China, such as Notice on Strengthening the Management of Payment Acceptance Terminals and Related Services (《關於加強支付受理終端及相關業務管理的通知》) promulgated in October 2021 and became effective on March 1, 2022 and Notice on Supporting Cross-border RMB Settlement of New Forms of Foreign Trade (《關於支持外貿新業態跨境人民幣結算的通知》) promulgated in June 2022 and became effective on July 21, 2022. The major laws and regulations that govern our business primarily include those related to payment services of non-bank payment institutions. See “Regulatory Overview – Regulations Relating to Payment Services of Non-Bank Payment Institutions.” During the Track Record Period and up to the Latest Practicable Date, we were subject to several administrative penalties in relation to our payment services. See “Business – Legal and Regulatory Proceedings and Compliance – Regulatory Inspections.”

As the industry where we operate is emerging and evolving, the applicable laws, rules and regulations are continually developing and evolving. If we fail to continuously comply with the applicable laws, rules and regulations, we may be subject to increases in our compliance costs, or fines or restrictions on our business activities, or legal proceedings and litigation, or even suspension or revocation of some or all of our licenses that allow us to carry on our business activities. For example, the State Council promulgated the Regulations on the Supervision and Administration of Non-bank Payment Institutions (《非銀行支付機構監督管理條例》) on December 9, 2023, which became effective from May 1, 2024. The regulations calls for stronger risk management of non-bank payment platforms to prevent misappropriation of funds and other criminal activities and requires institutions to strengthen the protection of user

RISK FACTORS

information, and stipulates that transitional measures for non-banking payment institutions formed in accordance with relevant provisions before this regulations comes into force shall be prescribed by the PBOC. The implementation of this regulations and the introduction of related transitional measures may impact the current regulatory framework of the industry, and may involve the renewal of our existing payment licences. In addition, as required by the Administrative Measures on Depository of Client Reserve Funds of Non-bank Payment Institutions (《非銀行支付機構客戶備付金存管辦法》) issued by the PBOC on January 19, 2021 and became effective on March 1, 2021, a non-bank payment institution shall deposit the client reserve funds received directly and in full into the PBOC or qualified commercial banks. Client reserve funds may or may not be interest-bearing, and applicable interest rate may fluctuate from time to time. Our settlement arrangements are also subject to regulatory enforcement in the process of increasing the proportion of centralized deposits of customer reserve funds, which may prolong the process for us to access the funds and affect our settlement efficiency, and negatively affect our ability to process a significant surge in payment volume during peak times, such as holiday seasons. See “Regulatory Overview – Regulations Relating to Payment Services of Non-Bank Payment Institutions.”

As another example, prior to the Track Record Period, we provided payment services to peer-to-peer (P2P) platforms, which are intermediaries connecting borrowers and lenders for internet lending. As confirmed by our PRC Legal Advisors, our provision of payment services to P2P platforms from 2014 to 2019 did not violate any then-existing imperative PRC laws and regulations. However, we commenced the mass withdrawal of such P2P collaborations in 2019 as a prudent measure due to heightened regulatory concerns surrounding the internet finance sector. Nonetheless, since 2021 and up to the Latest Practicable Date, we were involved in 47 P2P-related lawsuits stemming from disputes between complainants and P2P platforms primarily involving legacy transactions predating our mass withdrawal of the P2P platform collaborations in late 2019. Under regulatory guidance, we actively facilitated such dispute resolutions. We believe that these lawsuits did not and will not have a material adverse impact on our operation and financial position given (i) as of the Latest Practicable Date, 39 out of the 47 lawsuits had been fully resolved, all of which resulted in favorable final court judgments for us with no obligation by our Group to pay damages, (ii) out of the remaining eight litigations, we had won initial court judgments for three cases, and (iii) as for the cases pending judgment with maximum monetary exposure totaling RMB124.7 million (which comprise the plaintiff’s loan principal and interest), we believe the likelihood of us being held liable (such as being ordered to repay the plaintiff’s loan principal and interest) is remote, given that there were no private lending relationships between us and the plaintiffs, we had not misappropriated the plaintiffs’ loan funds, nor did we gain any undue benefit, and we had not been held liable for damages in similar cases that has been resolved. Our PRC Legal Advisors are of the view that the aforementioned proceedings will not have a material adverse impact on our business. In relation to our previous collaborations with P2P platforms, we also received a total of 89 P2P-related complaints forwarded by regulatory authorities from 2014 to 2024, none of which resulted in any regulatory actions against the Company and, since 2017 and up to the Latest Practicable Date, we had not been subject to any P2P-related administrative penalties or found liable in any P2P-related litigations, as confirmed by our PRC Legal Advisors. However, we cannot assure you that the above-mentioned matters or similar occurrences resulting from our previous collaboration with P2P platforms will not have an adverse material effect on our business and financial condition in the future.

RISK FACTORS

In addition, our business and operation are supported by our global license portfolio, and we are required to obtain and maintain various approvals, licenses, permits and qualifications in order to operate our business in the jurisdictions where we operate, including, among others, licenses and permits for providing payment services to customers, approvals and filings for establishing and operating subsidiaries in relevant jurisdictions. These approvals, licenses, permits and qualifications are granted upon satisfactory compliance with, among other things, the applicable laws, regulations and government policies. In some cases, these approvals, licenses, permits and qualifications are subject to examinations or verifications by the relevant authorities and may only be valid for a fixed period of time subject to renewal. We may experience challenges, difficulties, delays or failures in obtaining or maintaining the various approvals, licenses, permits and qualifications. See “Business – Licenses, Permits, Filings and Regulatory Approvals.” In addition, we collaborate with business partners holding payment service licenses and relevant qualifications to serve customers in other markets. Given the strict regulatory environment in the integrated digital payment industry worldwide and the fact that our business spans across many jurisdictions with varying currency controls, we may face potential risks such as fines, license revocations, business restrictions, or asset seizures due to various factors. We cannot guarantee that we will be able to maintain our existing permits and licenses. If we fail to obtain and maintain the approvals, licenses and permits required for our business in the future, we could be subject to liabilities, penalties and operational disruptions. For a detailed discussion of certain licenses and permits relevant to our business, see “Business – Licenses, Permits, Filings and Regulatory Approvals.”

Fraudulent and fictitious transactions may pose severe challenges to our risk management capabilities. Failure to identify those transactions and manage the related risks may adversely affect our business, financial condition and results of operations.

We experience and face risks of loss due to fraudulent and fictitious transactions, including fraudulent chargebacks, online scams, fake transactions, unauthorized use of account information, identity theft and other illegal and unethical online transactions. In addition, we are subject to the risk that our employees, counterparties or third-party service providers commit fraudulent activities against us or our customers. During the Track Record Period and up to the Latest Practicable Date, we were subject to several administrative penalties in relation to our payment services. See “Business – Legal and Regulatory Proceedings and Compliance – Regulatory Inspections.” As the methods used to perpetrate fraudulent and fictitious transactions have become increasingly sophisticated, our risk management measures need to be continually improved and may not be effective at all times against new and continually evolving forms of fraud or in connection with new services and products on our platform. If our risk management measures against fraudulent and fictitious transactions do not succeed, fraudulent transactions may increase, which could lead to losses, regulatory penalties or even restrictions to our operations, and as a result, our business, reputation, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Our success depends on our ability to develop and continually enhance our services and solutions to timely respond or adapt to the rapidly evolving markets where we operate.

The market environment where we operate is characterized by rapid technological changes, constantly evolving markets, frequent introduction of new products and services, evolving industry standards and regulations, and increasing customer expectations. Technological development and innovation play a crucial role in driving industry growth, and new technologies and methods such as AI, big data and cloud computing are evolving at an unprecedented rate. The development and innovation of technology have higher requirements for up-to-date technical capabilities, continuous learning abilities, and innovation capabilities. Failure to continue to maintain our technical upgrading and innovation capabilities may result in our inability to effectively compete in the industries and respond to market changes, which may have a material adverse effect on our business, financial condition, results of operations and prospects. We expect new services and technologies to continue to emerge and evolve. They may be superior to or render obsolete the services and solutions we currently offer. Incorporating new technologies into our services and solutions may require substantial expenditures and time, and we may not be successful in realizing a return for these efforts in a timely manner or at all. We cannot assure you that any new services and technologies we develop and offer to our customers will achieve commercial acceptance. Failure to continue to innovate, identify and address new customer needs and respond effectively to market developments may materially and adversely affect our business prospects.

In addition, since our services and solutions are designed to operate with a variety of systems, infrastructures and devices, we need to continually modify and enhance our services and solutions to keep pace with changes in mobile, Internet, software, communication and data technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely and cost-effective manner. Any failure of our services and solutions to continue to operate effectively with third-party infrastructures and technologies could result in the dissatisfaction of our merchants or their customers, which in turn could lead to a reduction in the demand for our services and solutions and consequent loss of revenue.

Market, economic and other conditions may adversely impact the demand for our services.

The industries where we operate depend upon the overall level of economic conditions and consumer spending. For example, a sustained deterioration in the general global economic conditions, including any turmoil in the economy, reductions in household disposable income, distresses in financial markets, or reduced market liquidity, as well as evolving regulatory requirements, may reduce the number of our clients, especially micro and small merchants who are more susceptible to adverse changes in market, economic and regulatory conditions in the jurisdictions where we operate, the amount of payments made by our clients’ customers, and market demand for our digital commerce-enabling solutions. As a result, our financial performance could be adversely affected.

RISK FACTORS

Adverse market trends may adversely affect our financial performance. Such trends may include, but are not limited to, the following:

- fluctuations in consumer demand, reflecting prevailing economic and demographic conditions;
- low levels of consumer and business confidence typically associated with recessionary environments may cause reduced spending by cardholders;
- financial institutions may restrict credit lines to cardholders or limit the issuance of new cards to mitigate cardholder defaults; and
- regulatory requirements, such as the effects of laws and regulations on our clients, may reduce the desire of our clients to use our services and solutions.

We face intense competition in the industries where we operate. Our inability to compete effectively could materially and adversely affect our business, financial condition and results of operations.

We face intense competition in the PRC and internationally in the evolving industries where we operate, especially the integrated digital payment industry, all of which are characterized by fierce competition and continual changes in customer needs and industry standards, as well as frequent introductions of new services and solutions. Competition may intensify in the future as existing and new competitors introduce new services or enhance existing services. We face competitions primarily from other integrated digital payment service providers. According to Frost & Sullivan, there were 175 third-party payment service providers that obtained payment business licenses in China as of December 31, 2024. Some of these companies have stronger brand recognition, greater financial resources and larger customer bases than we do, which may provide them with significant competitive advantages. These companies may devote greater resources to the development, promotion and sale of services and solutions. They may also offer lower prices for their services and solutions, or more effectively introduce their own innovative services and solutions that could reduce our market share. Our competitors may also offer more attractive terms to channel partners to gain better access to potential clients. If we are unable to compete effectively, we may not be able to attract and retain customers and partners, and our market share, revenue growth, profitability and reputation may be negatively affected, which could materially and adversely affect our business, financial condition, results of operations and prospects.

If we are unable to retain existing customers, acquire new customers, and increase revenue from our customer base, our financial condition and results of operations would be materially and adversely affected.

Our customers primarily include merchants and financial institutions. Our ability to retain existing customers, attract new ones, and expand the scope, and increase the volume of integrated digital payment services and digital commerce-enabling solutions that our customers utilize is critical to our revenue growth. Our customer engagement may decrease for a variety of reasons, including their level of satisfaction with our products and services, our pricing and the pricing and quality of competing

RISK FACTORS

products or services, overall economic conditions, or reductions in the volume of transactions between our customers and their end-buyers. For example, we strategically shifted to engage with more micro and small merchants in 2023, resulting in a decrease in average TPV per active customer, which, in turn, resulted in a decrease in revenue from cross-border digital payment services. If we are unable to encourage customers to contract and use our products and services, anticipate changing industry trends, enhance our infrastructure, innovate and develop new services that meet our customers’ evolving needs or preferences, and expand our operations into new markets, we may not be able to attract and acquire new customers. The loss of a significant number of customers, or a decline in their growth rate, could have a material adverse effect on our business, financial condition, results of operations and prospects.

The growth of our business depends in part on existing customers continuing or expanding their use of our products and services. However, our customers have no obligation to continue to use our products and services, and we cannot assure you that they will. In addition, we have invested and will continue to invest in improving our products and services in order to offer better features, but they may not be desired by our customers. If we are unable to retain customers and maintain their continued or broadening use of our products and services, or if there is a decline in our customers’ business performance, our growth may slow or decline, and our business may be materially and adversely affected.

We rely on business partners primarily including banks, clearing institutions and payment networks, e-commerce platforms, SaaS providers and aggregated payment platforms, that support our digital payment and commerce-enabling services. Any failure by these business partners to perform their obligations or services adequately or on acceptable terms, or any failure of maintaining our cooperation could materially and adversely affect our business.

Our success in providing reliable and satisfactory products and services to our customers is dependent on our ability to manage various business partners, primarily including banks, clearing institutions and payment networks, e-commerce platforms, SaaS providers and aggregated payment platforms. Our partnership with these entities is critical to providing our products and services to our customers. In certain circumstances, the cooperation may give them substantial discretion in approving certain aspects of our business practices, including our application and qualification procedures for customers and may require us to comply with certain legal requirements. Any failure to comply with these requirements could prompt our partners to suspend or terminate their cooperation, adversely affecting our business. Any inability on our part to manage these partners effectively or to retain them on commercially acceptable terms could severely limit our ability to attract, engage, and retain customers, which may have a material and adverse effect on our business, financial condition, and results of operations. Furthermore, our financial results could be adversely affected if other costs associated with such partnerships materially change or if any penalty or claim for damages is imposed as a result of our breach of the agreement with them or their other requirements. If we are unable to resolve any conflicts with our business partners or find alternatives partnerships, our operations, expansion strategies and results may be suffering significantly.

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In particular, to provide our digital payment services, we rely on commercial banks and clearing institutions to facilitate fund settlement and other services. If these business partners fail to provide services adequately, including as a result of system errors, human errors or events beyond their control, or they refuse to provide these services on terms acceptable to us or at all, and we are not able to find suitable alternatives, our business may be materially and adversely affected.

If we fail to maintain our relationship with our channel partners, or to properly manage them, our reputation, business, financial condition and results of operations may be materially and adversely affected.

We rely on channel partners to develop and maintain relationships with merchants and other customers, and to introduce our services and solutions to them in a manner that is consistent with our standards and applicable regulatory requirements. As of December 31, 2024, our network consisted of 3.6 thousand channel partners, covered 375 cities in China, and enabled us to reach 5.5 million merchants across China. During the Track Record Period, most of our customers for acquiring services were acquired through channel partners. See “Business – Sales and Marketing – Channel Partners.” As a result, our ability to expand our customer base through our channel partners and to enhance our management of channel partners is critical to our business.

In addition, during the Track Record Period, we paid our channel partners commissions based on the transaction volume generated and the commission rates are typically subject to adjustments according to their performance. As the major channel partners generated higher transaction volume, they benefited from higher commission rates, which contributed to the decrease in the gross profit margin of domestic payment services from 23.1% in 2022 to 20.4% in 2024. If we fail to expand or maintain our channel partner network, if we fail to maintain favorable pricing terms with channel partners or mitigate the impact of high commission rates on our gross profit margin, our business and financial condition may be materially and adversely affected. If our relationship with any significant channel partners deteriorates, we may be required to find alternatives or devote more resources to finding customers directly, which may be time-consuming and costly. Further, if we fail to effectively monitor and manage our channel partners, we could be exposed to potential liability, regulatory scrutiny or negative publicity, and our reputation, business, financial condition and results of operations may be materially and adversely affected.

We rely on third parties for various aspects of our business. Any failure by these third parties to provide services or perform their obligations adequately or on acceptable terms could materially and adversely affect our business.

We rely on services, technologies and infrastructure support offered by third parties that we do not control, including, among others, banks, clearing institutions and payment networks, e-commerce platforms, and SaaS providers and aggregated payment platforms. We cooperate with them for a variety of services, such as processing payments as well as facilitating funds settlement services and foreign card transactions. Our IT systems and various interfaces also utilize or are connected to the platforms, infrastructures and technologies of these third parties. If these third parties fail to provide services satisfactorily or perform their obligations adequately due to factors including system error, human error or events beyond their control, or they refuse to provide services on terms acceptable to us or at all, we may not be able to find suitable alternatives. In turn, our business may be materially and adversely affected.

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The financial institutions that we collaborate with are highly regulated. Failures or disruptions of their operation due to failure to comply with regulations may adversely affect our business, results of operations and reputation.

Our success depends on our ability to collaborate with financial institutions that are highly regulated, including banks and clearing institutions. We rely on these institutions to provide various financial services to our customers, including, among others, payment processing, foreign exchange service, settlement and clearing services. Our financial institution partners are subject to evolving and extensive regulations of the financial service industry and close scrutiny by the regulators, which may be difficult for our partners to comply with or affect their cooperation with us. In addition, following recent developments in the banking industry, more stringent capital requirements, risk weighting requirements, data security and privacy requirements, limitation on reliance on any single platform, tighter operational standards and other measures may be imposed. As a result, any changes in the regulatory environment or any failure by our financial institution partners to comply with applicable laws and regulations could result in significant operational disruptions to them, which may adversely affect our business and results of operations indirectly.

The strengths and market acceptance of our brands are important to our success. Failure to maintain, protect and enhance our brands may hurt our business.

We have developed strong and trusted brands such as *Rich Boss* as well as reputable offerings mainly including integrated digital payment services and digital commerce-enabling solutions, which have contributed significantly to the success of our business. Maintaining, protecting, and enhancing our brands are pertinent to expanding our customer base and business partner network, as well as increasing utilization of our products and services. Any negative publicity about us, our brands or the industries where we operate, the quality and reliability of our products and services, our risk management processes, changes to our services and solutions, our ability to effectively manage and resolve customer complaints, our privacy and security practices, litigation, regulatory activity, and the experience of customer with our products or services, could adversely affect our reputation and the confidence in and use of our products and services. If we cannot successfully maintain a strong and trusted brand, our business could be materially and adversely affected.

If our products and services are used for wrongful or illegal purposes, our reputation and business results could be materially adversely affected.

Our integrated digital payment services are susceptible to potentially illegal or improper uses, including illegal online gambling, fraudulent sales of goods or services, sales of illegal drugs and substances, weapons, obscene or pornographic materials, or the facilitation of other illegal activities. The use of our payment system for illegal or improper uses may from time to time subject us to fines, claims, or government and regulatory investigations, inquiries, or requests that could result in liability and reputational harm for us. Changes in law have increased the penalties for intermediaries providing payment services for certain illegal activities, and government authorities may consider additional payment-related proposals from time to time. Owners of intellectual property or government authorities may seek to bring legal action against providers of payment services that are peripherally involved in

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the sale of products that actually or allegedly infringe, misappropriate or otherwise violate intellectual property. Any threatened or resulting claims could result in reputational harm, and any resulting liabilities, loss of transaction volume, or increased costs could harm our business and results of operations.

We could incur liabilities if our merchants or channel partners refuse or are unable, financially or otherwise, to reimburse us for chargebacks resolved in favor of the customers.

In the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder’s favor, the disputed transaction is charged back to the merchant and the disputed amount is credited or otherwise refunded to the cardholder. Our agreements with the issuing banks and UnionPay rules require us to bear the losses from chargeback in certain circumstances. See “Business – Risk Management – Fraud Risk Management – Chargeback.” If the merchant refuses or is unable to reimburse us for the chargeback due to merchant fraud, insolvency or other reasons, or if the channel partner which developed the merchant refuses or is unable to reimburse us, we will bear the losses for the refunds to the cardholders. We had impairment loss allowance of RMB123.5 million, RMB120.3 million and RMB120.9 million as of December 31, 2022, 2023 and 2024, respectively, primarily from chargebacks due to illegal or fraudulent activities of the merchants and cardholders during the widespread risk incident from December 2013 to January 2014. We cannot assure you that we will not experience significant losses from chargebacks in the future. Any substantial increase in chargebacks not reimbursed by merchants could have a materially adverse effect on our business, financial condition and results of operations.

Our current risk management system and internal control policies and procedures may not be able to exhaustively identify, address, or mitigate all risks to which we are exposed.

We are subject to various kinds of risks, including, among others, fraud risks, cybersecurity risks, anti-money laundering risks, legal and compliance risks, information technology risks, liquidity risks and operational risks. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in identifying, addressing and mitigating all potential risks that may arise from our business operations. Our risk management and internal controls also depend on effective implementation by our employees. Despite our efforts in providing internal training in this regard, there can be no assurance that our employees will always implement as appropriate or without any human error, mistakes or intentional misconduct. If our internal control system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Changes in the rules and requirements of clearing institutions may materially and adversely affect our business, results of operations and financial condition.

We have entered into network access agreements with the clearing institutions in China, namely UnionPay and NetsUnion, in order to carry out our integrated digital payment services for customers. As a result, we are subject to the rules and requirements of UnionPay and NetsUnion. Certain acts or omissions on our parts, or our failure to prevent or manage certain acts or omissions by third parties, such as our channel partners, could subject us to a variety of restrictive measures on our business or even lead to termination of our cooperation with them. Any restrictive measures or termination of our cooperation

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with them, or any unexpected changes in the clearing institutions’ rules and standards, including the interpretation and implementation of the rules and standards, may impose additional obligations to us or increase our operating costs, which may materially and adversely affect our business, results of operations and financial condition.

We are subject to credit risks and recoverability risks relating to our trade receivables.

Our trade receivables primarily consisted of amounts due from customers for integrated digital payment services and digital commerce-enabling solutions. We had trade receivables of RMB70.8 million, RMB63.0 million and RMB54.7 million as of December 31, 2022, 2023 and 2024, respectively. We could deduct our fees directly from the transaction fund flows for most of our services. For other trade receivables, we typically grant our customers a credit period of one month to three months from the transaction date. If our customers delay or default on settlement of trade receivables with us, our business, financial conditions and results of operations could be materially and adversely affected.

Any failure by us or our business partners to comply with applicable anti-money laundering, anti-terrorism, anti-bribery, economic and trade sanctions regulations and similar laws could lead to significant penalties and damages to our reputation.

Any failure by us or our partners who work with us to comply with applicable anti-money laundering (“**AML**”), anti-terrorism, anti-bribery, economic and trade sanctions laws and regulations could lead to significant penalties and damages to our reputation. We and our partners who work with us are often required to comply with certain AML requirements set out by the PBOC and other regulators in the jurisdictions where we and our partners operate, including, among others, the establishment of a customer identification program, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to public security departments and judicial authorities in investigations and proceedings in relation to AML matters. We and our partners are also subject to various anti-terrorism and economic and trade sanctions laws and regulations that prohibit, among other things, any involvement in transferring the proceeds of criminal activities. These laws and regulations require us and our partners to establish sound internal control policies and procedures with respect to AML, anti-terrorism, and economic and trade sanctions monitoring and reporting obligations. We may also be subject to anti-corruption laws and regulations that prohibit the making or offering of improper payment to foreign government officials and political figures.

The policies and procedures we and our partners have adopted may not be effectively implemented in protecting our services from being exploited for money laundering, terrorist financing, terrorism, economic and trade sanctions and other illegal purposes. If we fail to comply with AML, anti-terrorist and economic and trade sanction laws and regulations, we will be subject to fines, enforcement actions, regulatory sanctions, additional compliance requirements, increased regulatory scrutiny of our business, or other penalties levied by regulators, and damages to our reputation, all of which may adversely affect our business operations, and results of operations. In particular, if we were publicly named as a sanctioned entity by relevant regulatory authorities or become subject to investigation, our business may

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be significantly interrupted and our reputation will be severely damaged. Similarly, if our partners fail to comply with applicable laws and regulations, it could disrupt our services and could result in potential liability for us and damage our reputation.

Furthermore, regulators in the PRC and globally continue to increase their scrutiny of compliance with these obligations, which requires us to continually monitor and update our compliance program, including the procedures we use to verify the identity of our customers and to monitor international and PRC transactions. We also need to make changes to our compliance program in various jurisdictions in a timely response. Regulators regularly re-examine the transaction volume thresholds at which we must obtain and keep applicable records or verify identities of customers, and any change in such thresholds could result in greater costs for compliance.

Our failure to comply with the laws and regulations, has, and may in the future, subject us to fines or other penalties levied by regulators, which may negatively affect our results of operations. See “Business – Legal and Regulatory Proceedings and Compliance – Regulatory Inspections.” If the remedial measures we have undertaken prove to be ineffective or are deemed by the regulators as ineffective in the future, we may be subject to fines or other penalties, which may adversely affect our results of operations. We cannot assure you that there will not be failures in detecting money laundering or other illegal or improper activities, which may materially and adversely affect our business reputation, financial condition and results of operations.

Changes to the regulations on pricing mechanism may adversely affect our financial condition and results of operations.

For each successful designated payment processed by banks and clearing institutions, the bank or the clearing institution deducts a processing fee for connecting to the payment gateway. See “Business – Our Businesses.” Such processing fees charged by the clearing institution and issuing banks are subject to government regulations. See “Regulatory Overview – Regulations Relating to Payment Services of Non-Bank Payment Institutions – Regulations on Bankcard Acquiring Business.” Changes in the regulations may lead to the increase of these fees. Such potential increase may cause us to increase our prices to customers. In addition, the government has imposed maximum fees to be charged by payment institutions for certain industries and changes in such regulations may require us to decrease our fees charged to customers and reduce our profit margin, which may adversely affect our business, results of operations and financial condition.

The introduction of digital currency electronic payment by the PBOC may pose new challenges to the payment industry in China.

In April 2020, the PBOC launched a pilot program for digital currency electronic payment (the “DC/EP”), China’s official digital currency. The DC/EP is expected to be convertible with Renminbi, and therefore may replace some of the country’s paper money in circulation. Although the introduction of DC/EP is expected to accelerate the development of mobile payment in China, as it is still in pilot phase, there is insufficient visibility as to the impact of the DC/EP on consumers’ payment behavior and the payment industry. In particular, it is not entirely clear as to how the DC/EP will fit into the current mobile payment

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ecosystem. New payment methods may arise as a result of the DC/EP, posing new technical and business challenges to payment service providers, including setting new technical standards and reshaping the market landscape. We cannot guarantee that we can timely adapt to these new challenges. If we fail to do so, our business, financial condition and results of operations may be materially and adversely affected.

Any disruption, malfunction or failure of our IT infrastructure and technological systems could interrupt our business operations, and materially and adversely affect our business.

Our business is dependent on the ability of our information technology systems to timely process a large amount of information and transactions. Our software, hardware, and systems may contain undetected errors that could have a material adverse effect on our business, particularly to the extent such errors are not detected and remedied quickly. We have from time to time found defects in our customer-facing software, hardware and internal systems, and new errors may be introduced in the future. In addition, we provide frequent incremental releases of service updates and functional enhancements, which increase the possibility of errors. The payment services and solutions we provide are designed to process complex transactions and deliver reports and other information related to those transactions, all at high volumes and processing speeds. Since customers use our services for important aspects of their businesses, any errors, defects, disruptions in services, or other performance problems with our services could hurt our reputation and damage our clients’ businesses. Software and system errors, or human error, could delay or inhibit settlement of payments, cause reporting errors, or prevent us from collecting transaction fees. Similarly, security breaches or errors in our hardware could cause transaction failures. Such issues could result in lawsuits and other liabilities and losses, which could have a material and adverse effect on our business.

Failure to protect transaction information and data from continually evolving cybersecurity risks could affect our reputation and expose us to penalties, liabilities and legal claims.

While providing our services and solutions, we process transaction information and personal information relating to our merchants and merchants’ customers, business partners, employees and other individuals or businesses, some of which may be sensitive or regulated. Such information may include credit and debit card numbers, bank account numbers, names and addresses, and other types of personal information, sensitive personal information or sensitive transaction information. We cannot assure you that our data security policies will be successful and sufficient to counter all current and emerging technology threats that are designed to breach our systems in order to gain access to confidential information. Inherent risks exist in handling and protecting large volumes of data. Specifically, we face various challenges related to data security and privacy, including but not limited to:

- Our computer systems are subject to illegal penetration, and our data protection measures may not prevent unauthorized access. The techniques used to obtain unauthorized access, or to disable or degrade services, or to sabotage systems, change frequently and are often difficult to detect. Threats to our systems and our associated third parties’ systems can derive from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure. Our defensive measures may not prevent unauthorized

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access or use of sensitive data. We cannot assure you the security of the data in or hosted on our systems, as we cannot guarantee that we can prevent all possible external attacks, data leaks, fraudulent activities, or improper use by our employees or business partners.

- We could also be subject to liability for claims relating to misuse of personal information, such as unauthorized marketing purposes and violation of data privacy laws. Any failure to adequately enforce or provide our internal control measures could result in liability, protracted and costly litigation and, with respect to misuse of the personal information of our merchant clients and their consumers, lost revenue and reputational harm.
- We might also be unable to fully adhere to the applicable laws and regulations related to the collection, use, storage, transmission, disclosure, handling of requests from data subjects, and other data compliance requirements. As certain lines of our business might extend into jurisdictions characterized by diverse legal and regulatory frameworks, the complexities associated with these aspects could be heightened.

Any type of security breach, cyberattack or misuse of data described above or otherwise could harm our reputation and deter existing and prospective clients from using our services or from providing payment services generally, increase our operating expenses in order to contain and remediate the incident, expose us to unbudgeted or uninsured liability, disrupt our operations, divert our management attention, increase our risk of regulatory scrutiny, result in the imposition of penalties and fines under laws and regulations, and adversely affect our cooperation with financial institutions.

Our business is subject to evolving regulations and oversight related to data security.

Our services involve, among others, the storage and transmission of merchant identification information, merchant and customer transaction information, sensitive information, which are protected under PRC laws and regulations. The PRC government has various regulations in place restricting companies from collecting and using protected data. See “Regulatory Overview – Regulations Relating to Information Security and Data Privacy.” Under applicable laws and regulations, we are obliged to keep protected customer information confidential and not to disclose it to the public in accordance with the law, except for the certain circumstances stipulated by law. We may also be subject to more stringent cybersecurity protection laws, regulations, and requirements in China in the near future given the recent legislative developments in this field. With the promulgation of new laws concerning data security and information protection in the future, we may incur more expenditure on the upgrading and improvement of our data security mechanisms from both technological and management aspects in order to comply with increasingly stricter requirements.

For the purpose of ensuring the security of the supply chain for critical information infrastructure and maintaining national security, the CAC and the NDRC, the MIIT, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance (the “MOF”), the MOFCOM, the PBOC, the SAMR, the CSRC and the National Administration of State Secrets Protection and State Cipher Code Administration jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) on December 28, 2021, which came into effect on February 15, 2022 and requires that, in addition to “operator

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of critical information infrastructure (CII)” (CIIO), any “network platform operator” carrying out data processing activities that affect or may affect national security and any “network platform operator” which has personal information of more than one million users and is going to list in foreign countries should also be subject to the cybersecurity review, and further elaborates the factors to be considered when assessing the national security risks of the relevant objects or situations, including, among others, the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, and illegally used or illegally exited the country, the risk of critical information infrastructure, core data, important data, a large amount of personal information being affected, controlled and maliciously used by foreign governments, as well as cybersecurity after being listed.

Under Article 10 of Regulation on Protecting the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which came into effect on September 1, 2021, the competent authorities and supervision and administration departments in charge of the CII security protection (the “**Protection Departments**”) is responsible for, among others, informing the CIIO of the determination results in a timely manner regarding the determination of CII. As of the Latest Practicable Date, we have not been informed by any Protection Departments that we have been determined as a CIIO. In consequence, we are not obligated to conduct a cybersecurity review for CIIO-related causes.

There can be no assurance that we would be able to complete the applicable cybersecurity review procedures in a timely manner, or at all, if we are required to follow such procedures. As advised by our PRC Data Compliance Legal Advisor, also according to our telephone consultation with, and the confirmation of, the China Cybersecurity Review, Certification and Market Regulation Big Data Center, previously known as the China Cybersecurity Review Technology and Certification Center, (“**CCRC**”), we believe that Hong Kong does not fall within the scope of “foreign country” and we have not been required to undertake a cybersecurity review by the Cybersecurity Review Office for the [REDACTED].

According to the Measures for the Security Assessment of Outbound Data Transfer (《數據出境安全評估辦法》) (the “**Measures**”), which came into effect on September 1, 2022, a data processor shall apply to the national cyberspace administration for the security assessment of outbound data transfer through the local provincial cyberspace administration if any of the following circumstances occur: (i) the data processor provides important data abroad; (ii) the CIIO or the data processor that has processed the personal information of over one million people provides personal information abroad; (iii) the data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year provides personal information abroad; (iv) any other circumstance where an application for the security assessment of outbound data transfer is required by the national cyberspace administration.

Although we are subject to the Measures, the Provisions on Promoting and Regulating Cross-border Data Flow (the “**Provisions**”) (《促進和規範數據跨境流動規定》), which came into effect on March 22, 2024, shall prevail. According to the Provisions, data processors providing personal information abroad may be subject to outbound data transfer assessment or to conclude a standard contract with the overseas recipients, or to obtain the personal information protection certification. To ensure the compliance of our outbound transfer of personal information, we have completed the filing procedures of the standard contract with the cyberspace administration for the outbound transfer of personal information.

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As the laws and regulations may continue to evolve and be promulgated, or new interpretations of existing laws and regulations may be applied, we may need to modify data processing practices, agreements, and policies, incurring significant costs to adapt to the ever-changing regulatory environment. Restrictions or other requirements on the collection, use, sharing, or disclosure of personal data and information, as well as responsibilities for security and data integrity, may require us to modify product solutions and offerings. Such changes may limit our ability to develop new products and services, potentially negatively impacting our business expansion. We employ various technical and organizational security measures and other measures to protect the data we process, including data related to our merchants, employees, and business partners. Despite the measures taken, we may be unable to predict or prevent unauthorized access to such data. Non-compliance with data protection and privacy regulations may result in regulatory fines, regulatory investigations, damage to reputation, orders to cease/change our data processing, receipt of mandatory enforcement notices, and/or assessment notices (for mandatory audits). We may also face civil claims. If we fail to prevail in such legal proceedings, we may incur significant financial liabilities and damage to our reputation.

The successful operation of our business depends upon the performance, reliability and security of the internet infrastructure in China.

Our business depends on the performance, reliability and security of the telecommunications and internet infrastructure in China. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with the internet infrastructure or the telecommunications networks provided by telecommunications companies in China. We cannot assure you that these infrastructures will be able to support the demands associated with our continued growth in usage.

In addition, damage to our domain security would render us unable to use the domain in business operations, potentially instigating profound detrimental consequences on our business operations, reputation, and brand image. The deficiency in appropriately encrypting data transmitted through the networks of the telecom and internet service providers relied upon by us poses the risk of data theft by these providers or their business partners, which could significantly impact our business operations and reputation.

To meet business demand and potential regulatory requirements, we activated two local data centers as of December 31, 2024. Any errors, defects, interruptions, or other performance issues in our data centers could adversely affect our business operations and reputation. Service interruptions could reduce our revenue, expose us to potential liabilities, and have a significant adverse impact on our business.

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We may not be able to maintain and strengthen the network effects of our ecosystem, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our ecosystem generate powerful self-reinforcing network effects that enhance the value that we create for our customers and partners. The extent to which we are able to maintain and strengthen these network effects depends on our ability to:

- attract and retain customers and businesses and provide satisfactory experience to them;
- offer and maintain a scalable and efficient platform for customers and business partners;
- provide a wide range of high-quality, secure and trustworthy services to customers and business partners;
- maintain the compatibility of our platform, services and solutions with third-party applications and platforms;
- consistently innovate and improve the services we offer;
- address customer concerns with respect to data security and privacy in connection with our data processing activities;
- attract and retain partners that are able to cooperate with us on commercially reasonable terms;
- provide effective technologies, infrastructure and services that meet the evolving needs of customers and business partners; and
- continue adapting to the changing demands of the market and customer behavior and preference.

In addition, the interests of our customers or partners may not always be aligned. To the extent we are not able to address the needs and demands of any particular participant group, those participants may conduct fewer activities with us or cease their relationship with us, any of which could result in a material decrease in the network effects on our ecosystem and therefore materially and adversely affect our business, financial condition, results of operations and prospects.

We procure our payment terminals, related hardware and accessories from suppliers. We are subject to supply chain risks of shortage, price increases, changes, delay, or discontinuation, which could disrupt and materially and adversely affect our business.

We procure our payment terminals, related hardware and accessories from suppliers to be provided to customers in conjunction with our services and solutions. Various sources of supply-chain risk, including strikes or shutdowns at delivery ports or loss of or damage to our products while they are in

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transit or storage, could limit the supply of our products. In the event of a shortage or supply interruption from our suppliers, we may not be able to develop alternate sources quickly, cost-effectively, or at all. Any interruption or delay in component supply, any increases in component costs, or the inability to obtain these products from alternate sources at acceptable prices and within a reasonable amount of time, would harm our ability to provide our products and services to customers on a timely basis. Further, if our suppliers fail to deliver sufficient quantities of certain products to meet our requirements or the quality of such products deteriorates, it could materially and adversely affect our brand and our customer relationships.

We may not be able to fully protect our intellectual property rights.

Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical to our success. We rely on, and expect to continue to rely on, a combination of confidentiality, invention assignment, and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademark, copyright, trade secret and patent rights, to protect our brand and other intellectual property rights. However, various events outside of our control may pose a threat to our intellectual property rights, as well as to our services and solutions. Effective protection of trademarks, copyrights, domain names, patent rights, and other intellectual property rights is expensive and difficult to maintain, both in terms of application and maintenance costs and in terms of the costs of defending and enforcing those rights. The efforts we have taken to protect our intellectual property rights may not be sufficient or effective. Our intellectual property rights may be infringed, misappropriated, or challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. Similarly, our reliance on unpatented proprietary information and technology, such as trade secrets and confidential information, depends in part on agreements we have in place with employees and third parties that place restrictions on the use and disclosure of this intellectual property. These agreements may be insufficient or may be breached. In either case this could potentially result in the unauthorized use or disclosure of our trade secrets and other intellectual property, including to our competitors. As a result, we could lose the competitive advantage derived from the intellectual property. Significant impairments of our intellectual property rights, and limitations on our ability to assert our intellectual property rights against others, could have a material and adverse effect on our business.

We may be subject to intellectual property infringement claims, which may be expensive and time-consuming to defend and may disrupt our business and operation by diverting our financial and management resources.

We depend to a large extent on our ability to develop and maintain the intellectual property rights relating to our business. We cannot be certain that third parties will not claim that our business infringes upon or otherwise violates patents, copyrights or other intellectual property rights that they hold. We may be involved in litigation in respect of our technology-based services in relation to allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties' rights. The validity, enforceability and scope of protection of intellectual property rights are not consistently developed in the jurisdictions where we operate. We may face allegations that we have infringed on the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair

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trade practices. As we face increasing competition and as litigation becomes a more common method for resolving commercial disputes, we face a higher risk of being the subject of intellectual property infringement claims.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources, and favorable final outcomes may not be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our services to reduce the risk of future liability, may have a material adverse effect on our business, results of operations and prospects.

Our cross-border digital payment services are exposed to foreign exchange rate risk.

Our cross-border digital payment services are exposed to foreign exchange rate risk since the exchange rate we quote and the exchange rate for the actual settlement may differ, due to exchange rate fluctuation. We typically earn a foreign exchange gain when the exchange rate for the actual settlement becomes more favorable to us, and we incur a foreign exchange loss when the contrary is the case. We implement certain measures to mitigate such risk although we do not enter into hedging transactions as our cross-border digital payment volume is relatively small compared with the total payment volumes processed. We cannot predict or control the fluctuation of exchange rates and our result of operations may be adversely affected if there is a significant fluctuation in foreign exchange rates that is unfavorable to us.

Our business depends on the continuing efforts of our key executives and employees performing vital functions. Failure to attract, retain and motivate qualified personnel may have an adverse effect on our business.

Recruiting and retaining key executives and employees performing vital functions (such as capable research and development personnel), particularly those with sufficient expertise in the industries where we operate, are vital to our continued success. As of December 31, 2024, we had 185 research and development personnel, representing 36.3% of our total employees. Our R&D team comprises professionals with expertise in system development, infrastructure, big data, AI, system functioning, IT management, and operation and maintenance. See “Business – Our Technology and Research and Development – Research and Development.” We are committed to providing our employees with a collaborative working environment and competitive salaries. However, there can be no assurance that we are able to retain sufficient qualified executives and employees performing vital functions in the future. In addition, although we have entered into employment agreements that contain confidentiality and non-competition provisions with certain key personnel, we cannot guarantee that they will not join our competitors, which may cause damages to us. Furthermore, there is substantial competition for qualified executives and employees performing vital functions in the industries where we operate. If we cannot attract, train and retain qualified personnel in our research and development team, our business may be materially and adversely affected.

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Our employees or other third parties may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could cause significant liability for us, harm our reputation or otherwise result in other consequences that may have a material adverse effect on our business, financial condition and results of operations.

Our compliance controls, policies, and procedures may not protect us from acts of our employees or other third parties such as misconduct or improper activities, whether or not advertently, which may adversely affect our business. In addition, they may be subject to regulatory penalties because of noncompliance with regulatory standards and requirements, which may, directly or indirectly, disrupt our business. We aim to identify irregularities or non-compliance in the business practices of any parties with whom we maintain existing or pursue future cooperation. However, we cannot assure you that any of these irregularities will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our employees or other third parties involved in our business may affect our business activities and reputation and in turn, our results of operations.

We may be subject to litigation, claims, disputes and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings.

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our customers, business partners, competitors, governmental authorities in civil or criminal investigations and proceedings. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings that we believe would have a material adverse effect on our business, results of operations, financial conditions or reputation. Since 2021 and up to the Latest Practicable Date, our payment services were subject to four administrative penalties totaling approximately RMB6.9 million due to non-compliance with relevant laws and regulations, all of which were settled as of the Latest Practicable Date. See “Business – Legal and Regulatory Proceedings and Compliance.”

On-going or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management’s attention and consume their time and our other resources. Such litigations and disputes may result in claims for actual damages, freezing of our assets and diversion of our management’s attention, as well as legal proceedings against our Directors, officers or employees. The probability and amount of liability, if any, may remain unknown for long periods of time. Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with any reasonable degree of certainty. As a result, any unfavorable final resolution of pending litigation matters, including substantial liabilities arising from lawsuit judgments, could have a material adverse effect on our business, results of operations and financial condition. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm, which could have a material adverse effect on our prospects and future growth, including our ability to attract new customers, retain current customers, expand our partnership with existing or new business partners and recruit and retain employees and agents.

RISK FACTORS

We are subject to the risk of possible impairment of certain assets.

We are exposed to the risk of possible impairment of certain assets, such as trade receivables, deposits and other receivables. This could occur due to several reasons, such as a deterioration in the creditworthiness of counterparties, changes in expected future cash flows, or unexpected adverse changes in market conditions. Our trade receivables, deposits and other receivables amounted to RMB83.3 million, RMB79.2 million and RMB78.2 million as of December 31, 2022, 2023 and 2024, respectively. An impairment of these assets could result in a significant change in our profit and loss statement, which could adversely affect our financial condition and operating results.

We are subject to the risk of exposure to fair value change for non-current portion of financial assets at fair value through profit or loss (“FVTPL”) and equity instrument designated at fair value through other comprehensive income (“FVOCI”) and valuation uncertainty due to the use of unobservable inputs.

Our non-current portion of financial assets at FVTPL and equity instrument designated at FVOCI are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. As of December 31, 2022, 2023 and 2024, our non-current portion of financial assets at FVTPL amounted to RMB11.6 million, RMB11.9 million and RMB10.7 million, respectively, representing fair value of equity investment with redemption rights. As of December 31, 2022, 2023 and 2024, our equity investments designated at FVOCI amounted to RMB3.3 million, RMB52.6 million and RMB52.6 million, respectively, representing fair value of unlisted equity investment. The value of these financial assets and equity instrument can fluctuate due to various factors, including market volatility, changes in interest rates, shifts in our creditworthiness, and other market-driven variables. The valuation of these financial assets and equity instrument can be subject to significant uncertainty, especially when unobservable inputs are used in valuation models. These inputs might not reflect actual market conditions or could be based on assumptions that may not materialize, leading to potential discrepancies between the recorded fair value and the price we might obtain in an actual transaction. Any fair value change of financial assets at FVTPL may adversely affect our profit and loss statements, which may have a negative impact on our overall financial condition and results of operations.

We have granted and may continue to grant share-based compensation awards, which may result in increased share-based payments and may dilute shareholder value and cause the price of our H Shares to decline.

We adopted a share incentive plan in November 2021 for the purpose of rewarding and motivating, among executive directors and employees of the Company with the shares of the Company. See Note 33 to the Accountants’ Report included in Appendix I to this document. We believe the granting of share-based compensation awards is important to attract and retain key personnel and employees, and we will continue to grant share-based compensation awards to employees in the future. We had share-based payments of RMB10.2 million, RMB14.8 million and RMB6.8 million in 2022, 2023 and 2024, respectively. The amount of the grant and the underlying factors determining the fair value of the grant, such as the [REDACTED] and volatility of our H Shares may fluctuate after our [REDACTED]. As the [REDACTED] of our H Shares changes and the number of our employees and the amount of grant

RISK FACTORS

increase, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. Furthermore, share-based compensation awards issued under our share incentive plan may dilute the ownership interests of our Shareholders. The allocation of our H Shares under our equity incentive plans, or the grant of share-based compensation awards, may adversely affect the market price of our H Shares. In addition, if any awards that we may issue vest, and those Shares are sold into the [REDACTED], the market price of our H Shares may decline.

We may be subject to fines if any failure to register for and/or make adequate contributions to social insurance and housing provident fund for our employees as required by the PRC regulations.

Pursuant to relevant PRC laws and regulations, employers are obligated to directly and duly contribute to the social insurance and housing provident fund for their employees. During the Track Record Period, we had not made contributions to the social insurance and housing provident fund for a few of our employees and we used third-party service providers to pay the social insurance and housing provident fund for some of our employees. Under the agreements between the third-party service providers and us, the third-party service providers have the obligations to pay the social insurance and housing provident fund for our relevant employees. During the Track Record Period, none of the third-party service providers that we cooperate with had failed to pay, or delayed in paying, any of the social insurance and housing provident fund for our employees, nor have we been involved in any labor disputes relating to such arrangement. During the Track Record Period, we had not received any notice or inquiry from the relevant governmental authorities due to the abovementioned practice of making contributions to the social insurance and housing provident fund, and we obtained credit reports with respect to contributions to the social insurance and housing provident fund.

As advised by our PRC Legal Advisors, considering, among others, the facts stated above, based on the credit reports we have obtained, as well as the fact that we have not received any notice or inquiry from relevant government authorities, the likelihood of us being required to integrally supplement all historical arrears for the social insurance and housing provident fund is remote and the risk of us being imposed to late fees or fines or subject to compulsory enforcement is remote. As such, no provision is required for the abovementioned contribution of the social insurance and housing provident fund and such matters would not have a material and adverse impact on our business, financial condition and results of operations.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practices do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. We cannot assure you that the relevant governmental authorities will not require us to rectify and/or impose late fees or fines on us, which may adversely affect our business, financial condition and results of operations.

RISK FACTORS

We are subject to certain risks relating to third-party settlements.

During the Track Record Period, certain of our customers settled transactions with us through the accounts of third parties chosen by these customers (the “**Third-party Settlement Arrangement**”). According to Frost & Sullivan, this type of arrangement is relatively common within the industry. In 2022, 2023 and 2024, the aggregate amounts of payments under the Third-party Settlement Arrangement amounted to RMB0.4 million, RMB1.2 million and RMB0.7 million, accounting for less than 0.1% in each year during the Track Record Period. As advised by our PRC Legal Advisors, the Third-party Settlement Arrangement did not violate any mandatory provisions of any applicable laws or regulations in China. As of April 29, 2024, we had terminated all Third-party Settlement Arrangements and taken measures to prevent such Third-party Settlement Arrangement from happening again. See “Business – Risk Management – Third-Party Settlement Arrangements Risk Management.”

We are subject to various risks relating to such Third-party Settlement Arrangements during the Track Record Period, such as possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings instituted or brought against us in respect to the demand for refund or return of third-party payment or for violation or non-compliance of laws and regulations, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payment for the products that we sold. In addition, we can not ensure that the measures we have taken to prevent the Third-party Settlement Arrangement will be effective, or at all. Our financial condition and results of operations may as a result be adversely affected.

Our legal right to some properties may be challenged.

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, we had not obtained the registration of 19 lease agreements for our material leased properties in China. Our PRC Legal Advisors have advised us that failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements under PRC laws, but we may be ordered to register such lease agreements within a time frame prescribed by the relevant PRC government authorities, failure of which may subject us to a maximum penalty of RMB10,000 for each non-registered lease agreement. The aggregate maximum penalty is approximately RMB0.2 million with respect to the unregistered leases of properties leased by us. As a result, any imposition of fines due to such failure may adversely affect our business operations and financial condition. See “Business – Properties – Leased Properties.”

Additionally, as of the Latest Practicable Date, certain of our leased properties had title defects that could adversely affect our ability to continue using them in the future, including (i) four material leased properties for which the respective lessors had not provided us with valid real estate certificates, and (ii) one material leased property where the right holder on the real estate certificate was inconsistent with the lessor on the respective lease agreement. Our use of the leased properties with title defects may be affected by third parties’ claims or challenges against the lease. Also, the relevant lease agreements may be deemed invalid, and we may be required to vacate from such properties. See “Business – Properties – Leased Properties.”

RISK FACTORS

Further, should our leases expire or our leased or owned properties face demolition due to factors such as government planning adjustments, we may be unable to negotiate renewals or secure leases or purchases for alternative properties, either on commercially acceptable terms or at all, which may adversely affect our business, results of operations and financial condition.

Our insurance coverage may be insufficient to cover all of our potential losses.

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain key man insurance, insurance policies covering damages to our network infrastructures or IT systems or any insurance policies for our properties. During the Track Record Period, we did not make any material insurance claims in relation to our business. See “Business – Insurance.” There can be no assurance that our insurance coverage is sufficient to cover all potential risks that may arise from our business operations, or to compensate us for all our actual losses that may incur from business activities. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our business, financial condition and results of operations. Furthermore, we may not be able to obtain coverage at current levels, and the premium on our insurance coverage may increase significantly in the future, which may also adversely affect our business, financial condition and results of operations.

Failure to execute our investment and expansion plans may materially and adversely affect our business prospects.

We pursue strategies to attain our mission and vision by, among others, expanding our customer base, unlocking substantial opportunities within existing customer base, investing in technology platform and infrastructure, expanding our partners network and enhancing our mutually beneficial ecosystem, and further developing our cross-border digital payment services and growing our international business. See “Business – Our Strategies.” However, we may not successfully execute our business strategies, or our strategies may not achieve the intended results as expected. Our business expansion plans are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties, and our ability to achieve growth will be subject to a number of factors, including, among others:

- the availability of adequate management and financial resources;
- industrial technological changes and development;
- capabilities of our competitors;
- our ability to manage and leverage our networks; and
- our ability to hire, train and retain skilled personnel.

If we fail to do so, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

We may require additional capital resources due to future growth and development of our business, but we may not be able to obtain financing on favorable terms or at all.

Our ability to sustain growth and remain competitive requires significant investment in various aspects of our business, including technology development, market expansion, and talent acquisition. We cannot assure you that additional funding will be available on terms acceptable to us, or at all. Terms of funding may deteriorate significantly, in the form of reduced liquidity, and higher financing costs, in the event of global or domestic economic turmoil. Our ability to obtain funding in a timely manner is affected by a number of factors beyond our control, any of which could cause substantial delays. We may require additional cash resources due to further developments or changing business conditions. If additional financing is not available on acceptable terms or at all, we may not be able to fund our expansion, promote our brand, enhance our products and services, respond to competitive pressures or take advantage of investment or acquisition opportunities, all of which may adversely affect our results of operations and business prospects.

We may face challenges in developing our international operations.

We plan to expand our cross-border digital payment services and international operations. However, we will face risks associated with expanding into markets in which we have limited or no experience and in which we may be less well known. We may be unable to attract sufficient customers, fail to anticipate competitive conditions or face difficulties in operating effectively in these new markets. The expansion of our international operations will also expose us to risks inherent in transacting business globally, including:

- increased and conflicting regulatory compliance requirements, including those with respect to money laundering and economic or other sanctions imposed by overseas and domestic regulatory authorities;
- increased costs to protect intellectual property and personal data security;
- challenges and increased expenses associated with staffing and managing international and cross-border operations and managing an organization spread over various jurisdictions;
- inability to recruit international talent and challenges in replicating or adapting our company policies and procedures to operating environments different from those in China;
- exchange rate fluctuations; and
- political instability and general economic or political conditions in particular countries or regions.

As we expand further into new regions and markets, these risks could intensify. One or more of these factors could adversely impact our international operations. Accordingly, any efforts we make to expand our international operations may not be successful.

RISK FACTORS

Any discontinuation, reduction or delay of any of our government grants or preferential tax treatments that may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.

In 2022, 2023 and 2024, our government grants under other income and other gains – net amounted to RMB2.9 million, RMB3.9 million and RMB8.4 million, respectively. See Note 8 to the Accountants’ Report included in Appendix I to this document. We cannot assure you that we will continue to be eligible to receive such government grants or that the amount of such grants will not be reduced in the future. Our ability to continue to avail government grants is subject to changes in national or local policies, and may be affected by the termination of, or amendments to, such policies for a number of reasons, including those beyond our control. Any decrease in or termination of such government grants in the future may have an adverse effect on our financial condition, results of operations and prospects.

Preferential tax treatments and incentives granted to us by the PRC government are also subject to review and renewal and may be adjusted or revoked at any time in the future. In 2022, 2023 and 2024, the Company was registered as a High and New-Tech Enterprise pursuant to the PRC tax resolutions and entitled to a preferential tax rate of 15%; certain subsidiaries have enjoyed the tax deduction in accordance with income tax preferential policy for small and micro enterprises and individual business pursuant to the PRC tax regulations and were entitled to a preferential tax rate of 20%. See Note 11 to the Accountants’ Report included in Appendix I to this document. We cannot guarantee you that the preferential tax treatments and incentives to which we and our subsidiaries are currently entitled would remain valid or be successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their decisions and discontinue any of our current tax treatments, potentially with retrospective effect. For example, due to a recent change in the interpretation of enterprises’ eligibility for certain tax deduction policies that used to apply to enterprises across the payment industry, as a tax rectification operation by the Shanghai Pudong New Area Tax Bureau, it was determined in July 2024 that we became ineligible for certain VAT credit schemes we electrically filed for and received approval for from the tax authority annually in prior years, leading to our repayment of the relevant tax deductions from April 2019 to December 2023, along with associated late fees totaling approximately RMB31.8 million to the Shanghai Pudong New Area Tax Bureau, which had been paid in full in July 2024. Based on confirmations obtained during interviews with, and compliance certificate issued by, relevant regulatory authorities, (i) the repayment and late fees do not constitute administrative penalties, (ii) we were not in violation of any PRC tax laws and regulations during the Track Record Period, and (iii) we will not be required to pay any additional payments or late fees with respect to this issue. Nevertheless, we cannot guarantee that such representations will not be challenged higher level government authorities, or similar occurrences will not happen again in the future. The discontinuation of any of our current tax treatments and imposition of any additional taxes and surcharges could materially increase our tax obligations and adversely impact our net income.

RISK FACTORS

The political and economic policies of the U.S. may adversely impact the industries that we operate in, and in turn our operations.

Our business is subject to risks associated with the U.S. counterparties and with doing business in the United States. Political and economic relations between China and the U.S. could increase our regulatory and compliance costs, negatively affect our relationships with customers, suppliers and other partners, and create uncertainties in our expansion in the global market. Any adverse developments in the relationship between China and the U.S., including disputes in trade, technology, finance and other areas, could adversely affect the industries that we operate in, which in turn may negatively affect our business operations. For example, during the Track Record Period, certain of our major customers such as our fifth largest customer in 2024, Customer H, is established in the U.S. As another example, many cross-border merchants are relying on U.S. de minimis tariff exemption to sell their products in the United States. If there is any regulatory change to U.S. de minimis tariff exemptions such that the current exemption were eliminated, shipments from China to the U.S. by cross-border sellers may be adversely impacted because the price of the underlying products will not be as competitive due to tariff imposed. As a result, their usage of our services may in turn decrease. During the Track Record Period, as the U.S. de minimis tariff exemption remains valid and in effect, the Company’s related business operations were not impacted. However, we cannot guarantee you such de minimis tariff exemption will continue to exist. In addition, the recent situation regarding tariffs between the US and other countries, including China, has brought a high level of uncertainty into the global economy. We cannot assure you that we will remain unaffected by these tariff issues in the future, and should they occur, our business operations may be negatively impacted.

Increasing focus with respect to environmental, social and corporate governance matters may impose additional costs on us or expose us to additional risks.

Relevant regulatory authorities and public advocacy groups have been increasingly focused on environment, social and corporate governance (“ESG”)-related issues in recent years, making our business more sensitive to ESG-related issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds and other influential investors have also been increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and relevant regulatory authorities on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of the ESG practices of the target companies. Any ESG concern or issue could also increase our regulatory compliance costs.

RISK FACTORS

If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and relevant regulatory authorities or are perceived to have not responded appropriately to the growing concern for ESG-related issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and the business, financial condition and the price of our Shares could be materially and adversely affected. Furthermore, to promote environmental responsibility and reduce our environmental footprint, we have established certain environmental targets and plans that are aligned with our overall business strategy and objectives. See “Business – Environmental, Social and Governance Matters.” Failure to achieve or potential modification or discontinuation of certain or all such ESG targets and/or plans may also adversely affect our corporate image, which could in turn result in adverse impacts on our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza, Ebola virus or COVID-19, may materially and adversely affect our business, financial condition and results of operations. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business. For example, since the end of December 2019, the outbreaks of a novel strain of coronavirus COVID-19 have materially and adversely affected the global economy. Many countries and regions had been affected by the COVID-19 outbreaks. There is no assurance that such kind of health epidemic or even a more severe pandemic will not occur again in the future. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza, COVID-19 or other epidemics, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO DOING BUSINESS IN THE PRINCIPAL PLACE WHERE WE OPERATE

Failure to respond to development in the economic, government policies, and laws and regulations in the principal place where we operate may have a material adverse effect on our business, financial condition and results of operations.

A substantial portion of our businesses, assets and operations are located in China. Accordingly, our financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in China.

China’s economy has experienced significant growth over the past decades since the implementation of reform and opening-up policy. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. Failure to respond to such development may materially and adversely affect our business in China.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with capital raising activities.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions enhanced administration and supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC released the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”), together with five interpretative guidelines thereof, which became effective on March 31, 2023. The Trial Measures comprehensively improved and reformed the prior regulatory regime for overseas offering and listing of securities of PRC domestic companies, and had regulated both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. According to the Trial Measures, we, as a PRC domestic company seeking to [REDACTED] and list securities in overseas markets, are required to fulfill the filing procedure with the CSRC within three (3) working days after submitting the [REDACTED] documents to the overseas supervisory authorities and report relevant information. However, we cannot assure you that we will be able to complete all filing requirements in time or at all as the filing requirements are subject to change with substantial uncertainty.

Furthermore, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. We may not be able to comply with such additional requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial conditions.

RISK FACTORS

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC, and a substantial portion of our business, assets and operations are located in Mainland China. In addition, a majority of our Directors, Supervisors or members of our senior management reside in Mainland China, and therefore a substantial portion of the assets of such Directors, Supervisors or members of our senior management may be located in Mainland China. As a result, it may be difficult, cumbersome, and time-consuming to effect service of process outside Mainland China upon us or such Directors, Supervisors or members of our senior management. Furthermore, an original action may only be brought in China against us or our Directors, Supervisors and senior management if the actions are not required to be arbitrated by the PRC laws and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. As a result of the conditions set forth in the PRC civil procedure law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, it is uncertain whether you will be able to bring an original action in China in this manner. Moreover, Mainland China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with many countries including the United States. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments.

On July 14, 2006, the Supreme People’s Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**2006 Arrangement**”). Pursuant to such arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement. On January 18, 2019, the Supreme People’s Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”), which took effect in January 2024. The 2019 Arrangement will supersede the 2006 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a “choice of court agreement in writing” entered into before the 2019 Arrangement taking effect. However, there remain uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in China.

Although we will be subject to the Hong Kong Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon the [REDACTED] of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Listing Rules and Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law in Hong Kong.

RISK FACTORS

We are subject to PRC government controls on currency conversion and risks relating to fluctuations in exchange rates.

The conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. As we may convert our revenue in Renminbi into other currencies to meet our foreign currency obligations, such as payments of dividends on our Shares, there is no assurance that we will have sufficient foreign exchange to meet these requirements. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, any changes to these foreign exchange policies that prevent us from obtaining sufficient foreign currencies may affect our ability to pay dividends in foreign currencies to our Shareholders.

Fluctuations in the exchange rate of Renminbi against Hong Kong dollar, U.S. dollar and other foreign currencies are affected by, among other things, the policies of the PRC Government and changes in China’s and international political and economic conditions. The [REDACTED] from the [REDACTED] will be denominated in Hong Kong dollars. As a result, any appreciation of Renminbi against U.S. dollar, Hong Kong dollar or any other foreign currencies may result in a decrease in the value of our foreign currency-denominated assets and our [REDACTED] from the [REDACTED]. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on our H Shares in foreign currencies. There are limited instruments currently available for us to reduce our foreign currency risk exposure at reasonable cost, and we have not utilized, and may not in the future utilize, any such instrument. All of these factors could materially and adversely affect our business, results of operations, financial condition and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

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

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Although our business operations are in China, it is

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unclear whether dividends we pay with respect to our H Shares, or the gain realized from the transfer of our H Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realized through the transfer of our H Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

Payment of dividends is subject to restrictions under PRC laws.

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders’ meeting), each such appropriation based on the unconsolidated net profit determined under PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

RISKS RELATING TO THE [REDACTED]

There has been no prior public trading market for our H shares, and their liquidity and market price may be volatile.

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of [REDACTED]. In addition, the [REDACTED] of our H Shares may not be an indication of the market price of our H Shares following the completion of the [REDACTED]. If an active public market for our H Shares does not develop following the completion of [REDACTED], the market price and liquidity of our H Shares could be materially and adversely affected.

The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade.

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Substantial future sales or the expectation of substantial sale of our H Shares in the public market could cause the price of our H Shares to decline.

Although our Controlling Shareholder is subject to restrictions on its sales of H Shares within 12 months from the [REDACTED] as described in “[REDACTED]” in this document, future sales of a significant number of our H Shares by our Controlling Shareholder or other existing Shareholders in the public market after the [REDACTED], or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through [REDACTED] of our H Shares. We cannot assure you that our Controlling Shareholder, or other existing Shareholders will not dispose of H Shares held by them or that we will not issue H Shares pursuant to the general mandate to issue shares granted to our Directors, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholder or other existing Shareholders, or the Shares available for sale by our Controlling Shareholder or other existing Shareholders, or the issuance of Shares by our Company may have on the market price of the H Shares. Sale or issuance of a substantial number of Shares by our Controlling Shareholder, or other existing Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the H Shares.

We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net [REDACTED] from the [REDACTED], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

As the [REDACTED] of our H Shares is higher than our consolidated net tangible book value per Share, purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.

As the [REDACTED] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [REDACTED], purchasers of our H Shares in the [REDACTED] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible asset value per Share of their H Shares. In addition, holders of our H Shares may experience further dilution of their interest if the [REDACTED] exercise the [REDACTED] or if we issue additional H Shares in the future to raise additional capital.

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We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return. For details of our intended use of [REDACTED] from the [REDACTED], see “Future Plans and [REDACTED].” However, our management will have discretion as to the actual application of our net [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [REDACTED] from the [REDACTED]. We will make appropriate announcement and comply with all applicable requirements under the Listing Rules in the event that we change the use of [REDACTED] as disclosed in this document.

We cannot assure you whether and when we will declare and pay dividends in the future.

We may not be able to pay any cash dividends in the foreseeable future. Our ability to pay dividends will depend on various factors, including whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the corporate approval processes. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS, our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See “Financial Information – Dividend.”

Certain statistics contained in this document are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain statistics contained in this document relating to, among other things, the industries where we operate have been derived from a third-party report and various official government publications. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, [REDACTED], any of their respective affiliates and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

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Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

Investors should read the entire document carefully and should not consider any particular statements in this document or in published media reports without carefully considering the risks and other information contained in this document.

Prior to the publication of this document, there has been coverage in the media regarding us and the [REDACTED], which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this document. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

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In preparation of the [REDACTED], we have sought the following waivers from strict compliance with certain provisions of the Listing Rules and exemption from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant’s arrangements for maintaining regular communication with the Stock Exchange.

Our headquarters is based and most of our business operations are managed and conducted in the PRC under the supervision of executive Directors and senior management. Our executive Directors and senior management team ordinarily reside in the PRC and they play important roles in our Company’s business operations. Therefore, our Company considers that it is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

- (a) we have appointed Ms. Zhang Yiqun and Mr. Chung Ming Fai (“**Mr. Chung**”) as the authorized representatives (the “**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;
- (b) when the Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any changes of the Authorized Representatives. We have provided the Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address (as applicable)) of all Directors to facilitate communication with the Stock Exchange;

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- (c) all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period upon the request of the Stock Exchange;
- (d) we have appointed Caitong International Capital Co., Limited as our compliance adviser (the “**Compliance Adviser**”) upon [REDACTED] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. The Compliance Adviser, who will provide us with professional advice on continuing obligations under the Listing Rules and act as the additional channel of communication with the Stock Exchange when the Authorized Representatives are not available, will have access at all times to our Authorized Representatives, our Directors, Supervisors and our senior management; and
- (e) we have provided the Stock Exchange with the names, phone numbers and email addresses of at least two of the Compliance Adviser’s officers who will act as our Compliance Adviser’s contact persons between the Stock Exchange and our Company.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, our Company must appoint an individual, who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

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- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Ms. Cheng Xuelian (“**Ms. Cheng**”) as one of the joint company secretaries of our Company. Ms. Cheng currently serves as deputy general manager, board secretary and chief financial officer of our Company and has substantial experience in handling corporate, legal and regulatory compliance and administrative matters but personally does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, our Company has appointed Mr. Chung, a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Ms. Cheng for an initial period of three years from the [REDACTED] to enable Ms. Cheng to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See “Directors, Supervisors and Senior Management” in this document for further biographical details of Ms. Cheng and Mr. Chung. The following arrangements have been, or will be, put in place to assist Ms. Cheng in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

- (a) Ms. Cheng will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Company’s Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;
- (b) Both Ms. Cheng and Mr. Chung have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;
- (c) Mr. Chung will assist Ms. Cheng to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company;
- (d) Mr. Chung will communicate regularly with Ms. Cheng on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Mr. Chung will work closely with, and provide assistance to, Ms. Cheng in the discharge of her duties as a company secretary, including organizing our Company’s Board meetings and Shareholders’ general meetings;

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- (e) Prior to the expiry of Ms. Cheng’s initial term of appointment as the company secretary of our Company, we will evaluate her experience to determine if she has acquired the qualifications required under Rules 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. Cheng’s appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules; and
- (f) The Company has appointed Caitong International Capital Co., Limited as its Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules which will act as the additional communication channel with the Stock Exchange (for a period commencing on the [REDACTED] and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the [REDACTED], or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to the Company (including Ms. Cheng) as to the compliance with the Listing Rules and all other applicable laws and regulations.

Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted us,] a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when (i) Ms. Cheng ceases to be assisted by a person with qualifications under Rules 3.28 and 8.17 of the Listing Rules, or (ii) if there are material breaches of the Listing Rules by our Company. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Cheng, having had the benefit of Mr. Chung’s assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER IN RELATION TO NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the [REDACTED] which will constitute non-exempt continuing connected transactions under Chapter 14A of Listing Rules. We have applied for, and the Stock Exchange [has granted] us, waivers from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the section headed “Connected Transactions – Non-Exempt Continuing Connected Transaction (Subject to Reporting, Annual Review and Announcement Requirements).”

POST-TRACK RECORD PERIOD ACQUISITIONS

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants’ report to be included in a document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the document.

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Since the end of the Track Record Period, our Group has made or proposed to make a number of investments (the “**Proposed Investments**”) in the respective target companies (the “**Target Companies**”), details of which are set out below. Our Directors believe that the terms of the Proposed Investments are fair and reasonable and in the interests of the Shareholders as a whole.

Allinpay Merchants Services (Singapore) Pte. Ltd (“**Allinpay Merchants**”) is a company incorporated in Singapore, and is primarily engaged in providing offline acquiring and cross-border payment services. According to the audited accounts of Allinpay Merchants prepared in accordance with Singapore Companies Act 1967 (the Act) and Financial Reporting Standards in Singapore (FRSs), (i) the net assets of Allinpay Merchants amounted to approximately SGD1.26 million as of December 31, 2023, (ii) Allinpay Merchants recorded a total revenue of approximately SGD3.19 million for the year ended December 31, 2023, and (iii) Allinpay Merchants recorded a net loss of approximately SGD0.12 million for the year ended December 31, 2023. According to the unaudited financial statements of Allinpay Merchants, (i) the net assets of Allinpay Merchants amounted to approximately SGD1.47 million as of December 31, 2024, (ii) Allinpay Merchants recorded a total revenue of approximately SGD6.24 million for the year ended December 31, 2024, and (iii) Allinpay Merchants recorded a net profit of approximately SGD0.21 million for the year ended December 31, 2024.

On August 1, 2024, we entered into share transfer agreements with the existing shareholders of Allinpay Merchants to acquire 95% of equity interest of Allinpay Merchants at a total consideration of SGD4.81 million (the “**Proposed Acquisition A**”) which was determined after an arm’s length negotiations with reference to the factors including expectations on Allinpay Merchants’s business operations and financial conditions. The Proposed Acquisition A currently is not completed, and is subject to the regulatory approval of local authority. The Proposed Acquisition A is in the ordinary and usual course of business of our Company, and will enable the Company to establish a regional hub in Singapore to expand Southeast Asian operations, which will coordinate with our Hong Kong subsidiary for a global coverage. To the best of our Directors’ knowledge, information and belief and having made all reasonable enquiries, the counterparties and their beneficial owners are Independent Third Parties.

Antario Merchant Services Inc (“**AMS**”). was incorporated in Canada in 2024 and is primarily engaged in providing offline acquiring services. On December 25, 2024, our subsidiary has entered into a capital increase agreement with AMS, pursuant to which we shall subscribe for the registered capital of AMS at a consideration of CAD0.51 million (the “**Proposed Investment B**”). The consideration for the Proposed Investment B is determined after an arm’s length negotiations with reference to the factors including expectations on AMS’s business operations and financial conditions. According to the unaudited financial statements of AMS, (i) the net assets of AMS amounted to approximately CAD0.18 million as of December 31, 2024, and (ii) AMS did not incur revenue and recorded a net loss of approximately CAD0.02 million for the year ended December 31, 2024. The Proposed Investment B currently is not completed, and upon completion of the Proposed Investment B, we are expected to hold 51% equity interests in AMS. The Proposed Investment B is in the ordinary and usual course of business of our Company, and will enable the Company to develop new operations in North America and extend our overseas business networks. To the best of our Directors’ knowledge, information and belief and having made all reasonable enquiries, each of AMS and its ultimate beneficial owners is an Independent Third Party.

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JAC Co., Ltd (“JAC”) was incorporated in Japan in 2024 and is primarily engaged in providing offline acquiring services. According to the unaudited management accounts of JAC, (i) the net assets of JAC amounted to approximately JPY4.5 million as of December 31, 2024, and (ii) JAC did not incur revenue and recorded a net loss of approximately JPY5.5 million for the year ended December 31, 2024. On January 30, 2025, our subsidiary has entered into a share transfer agreement with an existing shareholder of JAC to acquire 100% of the equity interest of JAC at a total consideration of JPY20 million (the “**Proposed Acquisition C**”) which was determined after an arm’s length negotiations with reference to the factors including expectations on JAC’s business operations and financial conditions. The Proposed Acquisition C currently is not completed. The Proposed Acquisition C is in the ordinary and usual course of business of our Company, and will enable the Company to expand our business coverage across East Asia to strengthen international presence. To the best of our Directors’ knowledge, information and belief and having made all reasonable enquiries, the counterparty and its beneficial owners are Independent Third Parties.

Beijing Catering Enterprise Internet Information Technology Co., Ltd. (北京餐企互聯信息技術有限公司) (“**Beijing Catering Enterprise Internet**”) was incorporated in the PRC in 2024 and is primarily engaged in SaaS software development services. We propose to subscribe for up to 51% equity interest of Beijing Catering Enterprise Internet in four phases (the “**Proposed Investment D**”), including (i) subscription of 12% equity interest at a consideration of RMB3.5 million, (ii) subscription to reach a cumulative shareholding of 23% of the equity interest, at a consideration of RMB3.5 million, (iii) subscription to reach a cumulative shareholding of 40% of the equity interest, at a consideration of RMB5 million, and (iv) further subscription to reach a cumulative shareholding of 51% of the equity interest, at a consideration of RMB3.3 million.

According to the unaudited management accounts of Beijing Catering Enterprise Internet, (i) the net assets of Beijing Catering Enterprise Internet amounted to approximately RMB2.48 million as of December 31, 2024, (ii) Beijing Catering Enterprise Internet recorded a total revenue of approximately RMB0.11 million for the year ended December 31, 2024, and (iii) Beijing Catering Enterprise Internet recorded a net loss of approximately RMB0.72 million for the year ended December 31, 2024. As of the Latest Practicable Date, the Company and the counterparty were still in negotiation of the terms for the Proposed Investment D, and no definitive agreements had been entered into between the parties. The consideration of the Proposed Investment D is expected to be determined after an arm’s length negotiations with reference to the factors including expectations on the business operations and financial conditions of Beijing Catering Enterprise Internet. The Proposed Investment D is in the ordinary and usual course of business of our Company, and will enable the Company to align with corporate strategy by providing integrated solutions for multi-industry clients. To the best of our Directors’ knowledge, information and belief and having made all reasonable enquiries, the counterparty and its beneficial owners are Independent Third Parties.

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Jintong Commercial Co., Limited (“**Jintong**”) was incorporated in Hong Kong in 2024 and is primarily engaged in providing offline acquiring services. According to the unaudited financial accounts of Jintong, (i) the net assets of Jintong amounted to approximately HKD0.61 million as of December 31, 2024, (ii) Jintong recorded a total revenue of approximately HKD1.05 million for the year ended December 31, 2024, and (iii) Jintong recorded a net profit of approximately HKD0.53 million for the year ended December 31, 2024.

On January 30, 2025, we entered into a share transfer agreement with the existing shareholder of Jintong to acquire 100% of equity interest of Jintong at a total consideration of HKD10,000 (the “**Proposed Acquisition E**”) which was determined after an arm’s length negotiations with reference to the issued share capital of Jintong. The Proposed Acquisition E currently is not completed, and is expected to be settled by the end of the second quarter of 2025. The Proposed Acquisition E is in the ordinary and usual course of business of our Company, and will enable the Company to implement overseas strategy through localized offline business development in Hong Kong. To the best of our Directors’ knowledge, information and belief and having made all reasonable enquiries, the counterparty and its beneficial owners are Independent Third Parties.

We plan to establish a joint venture (the “**Target Company F**”) together with an independent individual (the “**Counterparty F**”), to operate a SaaS platform currently held by the Counterparty F, mainly serving certain health care operations. We plan to hold 10% of the equity interest in Target Company F initially, and subsequently acquire additional equity interests from Counterparty F according to the following three phases (the “**Proposed Investment F**”): (i) within one month of Target Company F’s incorporation, subject to satisfaction of conditions precedent, we will acquire an additional 20% equity interest at a consideration of RMB2 million; (ii) within 12 months of Target Company F’s incorporation, provided Target Company F meets certain business targets, we will acquire an additional 20% equity interest at a consideration of RMB4 million; and (iii) between 13 to 24 months after Target Company F’s incorporation, provided Target Company F meets certain business targets, we will acquire an additional 11% equity interest at a consideration of RMB2.2 million. Upon completing all three phases, we will hold 51% of the equity interests in Target Company F.

As of the Latest Practicable Date, the Company and the Counterparty F were still in negotiation of the terms for the Proposed Investment F, and no definitive agreements had been entered into between the parties. The consideration of the Proposed Investment F is expected to be determined after an arm’s length negotiations with reference to the factors including expectations on Target Company F’s business operations and financial conditions. The Proposed Investment D is in the ordinary and usual course of business of our Company, and will enable the Company to integrate technologies to enhance product competitiveness through complementary advantages. To the best of our Directors’ knowledge, information and belief and having made all reasonable enquiries, the Counterparty F and its beneficial owners are Independent Third Parties.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In light of the Proposed Investments, under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, we are required to present in this document the financial information of the Proposed Investments during the Track Record Period. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules on the following basis:

- (i) The percentage ratios of the Proposed Investments are all less than 5% by reference to the most recent fiscal year of the Track Record Period

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules for the Proposed Investments are all less than 5% by reference to the most recent fiscal year of the Track Record Period.

Accordingly, we do not expect the Proposed Investments to result in any significant changes to the Company's financial position since December 31, 2024, and all information that is reasonably necessary for potential investors to make an informed assessment of the Company's activities or financial position will be included in the Document. As such, the Company considers that a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investors.

- (ii) Historical financial information is not available and would be unduly burdensome to obtain or prepare

The Proposed Investments have not been completed, and we do not have full access to the relevant financial records of the Target Companies for purposes of audit by our reporting accountant and disclosure in this document. Additionally, it would require considerable time and resources for the Company and its reporting accountants to fully familiarize with the management accounting policies of the Target Companies, to bring them in conformity with our Group's accounting policies and standards and compile the necessary financial information and supporting documents for disclosure in the Document. As such, we believe that it would be impractical and unduly burdensome for the Company to prepare and disclose the audited historical financial information of the Target Companies as required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

In addition, having considered the Proposed Investments to be immaterial and that the Company does not expect the Proposed Investments to have any material effect on its business, financial condition or operations, the Company believes that it would not be meaningful and would be unduly burdensome for it to prepare and include the financial information of the Target Companies during the Track Record Period in the Document. As the Company does not expect the Proposed Investments to result in any material changes to its financial position after the Track Record Period, the Company does not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would prejudice the interests of the investors.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

(iii) Alternative disclosure of the Proposed Investments in the Document

We have provided alternative information about the Proposed Investments in the Document. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Listing Rules that our Directors consider to be material, including, for example, descriptions of (a) the names and background information of the Target Companies, (b) a statement as to whether the counterparties and their respective ultimate beneficial owner are Independent Third Parties, (c) basis of the consideration of the Proposed Investments, (d) reasons of the Proposed Investments, and (e) the assets, revenue, loss/profit of the Target Companies for the two financial years immediately prior to the Proposed Investments (where applicable). Since the relevant percentage ratios of the Proposed Investments are less than 5% by reference to the most recent audited fiscal year of the Track Record Period, the Company believes the current disclosure is adequate for potential investors to form an informed assessment of the Company.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

For further information on our Directors and Supervisors, see “Directors, Supervisors and Senior Management” of this document.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. CHEN Jian (陳建)	Room 12-802, Lane 333 Fangdian Road Pudong New Area Shanghai The PRC	Chinese
Ms. ZHANG Yiqun (張軼群)	Room 2102, No. 31, Lane 2580 Jinxu Road Pudong New Area Shanghai The PRC	Chinese
Mr. FU Xiaobing (付小兵)	Room 902, No. 28, Lane 800 Jinxu Road Pudong New Area Shanghai The PRC	Chinese
[Mr. LIU Baichuan (劉百川)]	Room 302, No.1, Lane 65 Ziye Road Pudong New Area Shanghai The PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Independent non-executive Directors		
Mr. CHEN Jin (陳勁)	27B, Block 10, Gold Coast 1 Castle Peak Bay Section Castle Peak Road Siu Lam Tuen Mun District Hong Kong	Chinese
Dr. WANG Hongwei (王洪衛)	Room 402, No. 36, Lane 99 East Guoquan Road Yangpu District Shanghai The PRC	Chinese
Dr. CHEN Shengqun (陳勝群)	Room 1101, Building 2 Xuhui Linjiang Haoyuan Lane 921 Wanping South Road Xuhui District Shanghai The PRC	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. YAN Chonghao (閆翀昊)	Room 301, No. 9, Lane 1000 West Xinhuan Road Pudong New Area Shanghai The PRC	Chinese
Mr. TAO Weibin (陶偉斌)	Room 201, Unit 1, Building 3 No. 210 South Street Liyang, Jiangsu Province The PRC	Chinese
Mr. REN Shaojun (任少軍)	Room 1101, No. 6 Lane 758 Jufeng Road Pudong New Area Shanghai The PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

CITIC Securities (Hong Kong) Limited

18/F, One Pacific Place

88 Queensway

Hong Kong

Shenwan Hongyuan Capital (H.K.) Limited

Level 6, Three Pacific Place

1 Queen’s Road East

Hong Kong

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Auditor and Reporting Accountant

BDO Limited

Certified Public Accountants
25th Floor, Wing On Center
111 Connaught Road Central
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Legal Advisors to the Company

As to Hong Kong law:

Clifford Chance

27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:

Grandall Law Firm (Shanghai)

27F, Garden Square
968 West Beijing Road
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The PRC

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As to PRC data compliance law:

Grandall Law Firm (Beijing)

9/F, Taikang Financial Tower

No.38 North Dongsanhuan Road

Beijing

The PRC

Legal Advisors to the Joint

Sponsors and the [REDACTED]

As to Hong Kong law:

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Suites 3502-03, 35/F

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8 Connaught Place

Central

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As to Hong Kong law:

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Central

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As to PRC law:

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World Financial Center

1 Dongsanhuan Zhonglu

Chaoyang District

Beijing

The PRC

Industry Consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

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1717 West Nanjing Road

Shanghai

The PRC

Independent Property Valuer

**Jones Lang LaSalle Corporate Appraisal and
Advisory Limited**

7/F, One Taikoo Place

979 King's Road

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DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

Internal Control Consultant

BDO Risk Advisory Services Limited

25th Floor, Wing On Center

111 Connaught Road

Central

Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	3rd Floor, Building 6 No. 351, Jinzang Road China (Shanghai) Pilot Free Trade Zone Shanghai The PRC
Headquarters and Principal Place of Business in the PRC	3rd Floor, Building 6 No. 351, Jinzang Road China (Shanghai) Pilot Free Trade Zone Shanghai The PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre 248 Queen’s Road East Wanchai Hong Kong
Company’s Website	<u>www.fuioupay.com</u> <i>(The information contained in this website does not form part of this document)</i>
Joint Company Secretaries	<p>Ms. CHENG Xuelian (程雪蓮) 3rd Floor, Building 6 No. 351, Jinzang Road China (Shanghai) Pilot Free Trade Zone Shanghai The PRC</p> <p>Mr. CHUNG Ming Fai (鍾明輝) (HKICPA) 40th Floor, Dah Sing Financial Centre 248 Queen’s Road East Wanchai Hong Kong</p>
Authorized Representatives	Ms. ZHANG Yiqun (張軼群) Room 2102, No. 31, Lane 2580 Jinxu Road Pudong New Area Shanghai The PRC

CORPORATE INFORMATION

Mr. CHUNG Ming Fai (鍾明輝)
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Hong Kong

Audit Committee

Dr. CHEN Shengqun (陳勝群) (*Chairperson*)
Mr. CHEN Jin (陳勁)
Dr. WANG Hongwei (王洪衛)

Remuneration and Appraisal Committee

Mr. CHEN Jin (陳勁) (*Chairperson*)
[Mr. LIU Baichuan (劉百川)]
Dr. WANG Hongwei (王洪衛)

Nomination Committee

Dr. WANG Hongwei (王洪衛) (*Chairperson*)
Ms. ZHANG Yiqun (張軼群)
Dr. CHEN Shengqun (陳勝群)

Strategy Committee

Ms. ZHANG Yiqun (張軼群) (*Chairperson*)
Dr. CHEN Jian (陳建)
Dr. WANG Hongwei (王洪衛)
Mr. FU Xiaobing (付小兵)
Mr. CHEN Jin (陳勁)

Compliance Advisor

Caitong International Capital Co., Limited
Unit 2401–05, 24/F
Grand Millennium Plaza 181
Queen’s Road Central
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[REDACTED]

Principal Bank

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Xuhui District
Shanghai
The PRC

INDUSTRY OVERVIEW

*The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the “**Frost & Sullivan Report**”). We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, [REDACTED], any of their respective affiliates and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.*

OVERVIEW OF THE PAYMENT MARKET IN CHINA

The payment industry in China encompasses payment services provided by banks and third-party payment service providers. These institutions establish a secure system for payment settlement and clearing that allows consumers to transfer funds from their bank accounts to merchants.

Key participants in China’s payment market include third-party payment service providers, issuing banks, digital wallets, acquiring banks, receiving banks, clearing houses, aggregated payment service providers, merchants and consumers. Each of them plays different roles in the market:

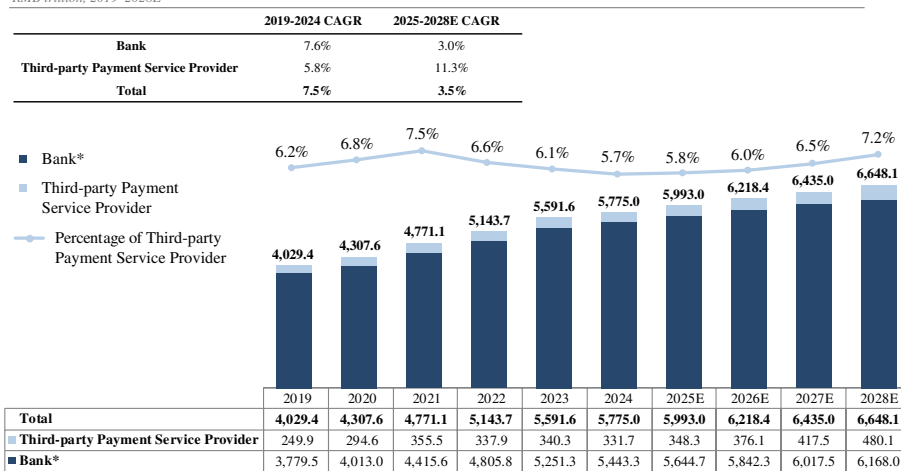
- **Third-party payment service providers** are mainly responsible for acquiring, cross-border digital payment, credit card repayment and other payment-related activities.
- **Issuing banks** provide payment services for account holders by issuing credit cards and debit cards.
- **Digital wallets** refer to digital payment tools that allow users to store funds and make transactions electronically.
- **Acquiring banks** offer acquiring services to merchants.
- **Receiving banks** obtain funds and transaction confirmation from clearing houses and send collection notification to merchants.
- **Clearing houses** offer network services to third-party payment service providers, acquiring banks, issuing banks and digital wallets.
- **Aggregated payment service providers** aggregate multiple payment channels of third-party payment service providers.
- **Merchants** provide goods or services to consumers and rely on the acquiring services offered by payment service providers.
- **Consumers** pay for goods or services by bank accounts and utilize banking services.

INDUSTRY OVERVIEW

China’s payment industry has experienced rapid growth in recent years driven by economic growth, evident by rising GDP per capita and increased total consumption expenditure, and exhibited great growth potential propelled by advancement in payment technologies such as AI, big data and cloud computing. The TPV of China’s payment market increased from RMB4,029.4 trillion in 2019 to RMB5,775.0 trillion in 2024, representing a CAGR of 7.5%, and is expected to reach RMB6,648.1 trillion in 2028, representing a CAGR of 3.5% from 2025 to 2028. In particular, the TPV of third-party payment service providers in China’s payment market increased from RMB249.9 trillion in 2019 to RMB331.7 trillion in 2024, representing a CAGR of 5.8%, and is expected to reach RMB480.1 trillion in 2028, representing a CAGR of 11.3% from 2024 to 2028. The following chart presents the historical and projected market size of China’s payment market in terms of TPV from 2019 to 2028:

TPV of China’s Payment Market

RMB trillion, 2019–2028E



Notes:

- (1). Bank’s payment is calculated by the number of TPV of non-cash payment by bank.
- (2). The decrease in the TPV and penetration rate of third-party payment service providers in China’s payment market in 2022 was attributed to the decrease in the market size of acquiring market in 2022 as a result of reduced consumer spending.

Source: PBOC, PCAC, Frost & Sullivan Report

In China, third-party payment service providers must secure payment licenses from the PBOC to legally offer a range of payment services, which include internet payment, issuance and acceptance of prepaid cards, and bank card acquiring. Additionally, they are required to obtain a fund payment license from the CSRC and a cross-border payment license from the SAFE in order to operate in those specific domains. As of December 31, 2024, out of 175 third-party payment service providers in possession of payment licenses, merely 40 hold fund payment licenses and only 22 have been authorized to provide cross-border payment services. The following chart sets forth the payment licenses held by China’s major independent third-party payment service providers in 2024:

INDUSTRY OVERVIEW

Payment Licenses of China’s Non-independent Integrated Digital Payment Service Provider, by the end of 2024

	Prepaid Cards License	Internet Payment License*	Bank Card Acquiring License	Fund Payment License	Cross-border Payment License
AliPay (支付寶)	✓	✓	✓	✓	✓
Tenpay (財付通)	✗	✓	✓	✓	✓
China UnionPay Merchant Services (銀聯商務)	✓	✓	✓	✓	✓
YiQianBao (壹錢包)**	✓	✓	✓	✓	✓
FuFeiTong (付費通)	✓	✓	✓	✗	✗
Chinabank Payments (網銀在線)	✗	✓	✓	✓	✓
Qiandaibao (錢袋寶)	✗	✓	✓	✗	✗

Source: PBOC, CSRC, SAFE, Frost & Sullivan Report

Notes: * Currently, China’s Internet payment license covers a diverse range of payment scenarios, encompassing payment scenarios under mobile payment license in practical use. The utilization of telephone payment and digital TV payment is gradually decreasing, and it is anticipated that these payment methods will be included within the application scenarios under the Internet payment license in the future.

** Ping An YiQianBao E-commerce Co., Ltd. (平安壹錢包電子商務有限公司) is a subsidiary of Ping An Insurance (Group) Co., Ltd. of China (中國平安保險(集團)股份有限公司), which boasts a combination of payment licenses via its affiliated companies Ping An Pay Technology Services Co., Ltd. (平安付科技服務有限公司) and Ping An Pay Electronic Payment Co., Ltd. (平安付電子支付有限公司)

Payment Licenses of China’s Independent Integrated Digital Payment Service Provider, by the end of 2024

	Prepaid Cards License	Internet Payment License	Bank Card Acquiring License	Fund Payment License	Cross-border Payment License
Fuiou Pay (富友支付)	✓	✓	✓	✓	✓
Lakala (拉卡拉)	✓	✓	✓	✓	✓
Leshua Technology (樂刷科技)*	✗	✓	✓	✗	✗
Guotong Xingyi (國通星驛)	✗	✗	✓	✗	✗
Helipay (合利寶)	✗	✓	✓	✗	✓
Huifu Payment (匯付支付)	✗	✓	✓	✓	✓
Jialian Payment (嘉聯支付)	✗	✗	✓	✗	✗
VBill Payment (隨行付)	✗	✓	✓	✗	✗
HaiKeRongTong (海科融通)	✗	✗	✓	✗	✗
All-In-Pay (通聯支付)	✓	✓	✓	✓	✓
YeePay (易寶支付)	✗	✓	✓	✓	✓
Ysepay (銀盛支付)	✗	✓	✓	✗	✗
Lianlian Pay (連連支付)	✗	✓	✗	✓	✓

Source: PBOC, CSRC, SAFE, Frost & Sullivan Report

Notes: * Leshua Technology Co., Ltd. (樂刷科技有限公司) is a limited liability company established under the laws of the PRC on July 31, 2013, a wholly-owned subsidiary of Shenzhen Yeahka.

** The above two tables list major market players in the integrated digital payment market in China, which include the top 7 non-independent integrated digital payment service providers and the top 13 independent integrated digital payment service providers, ranked by the TPVs of integrated digital payment.

INDUSTRY OVERVIEW

OVERVIEW OF THE INTEGRATED DIGITAL PAYMENT MARKET

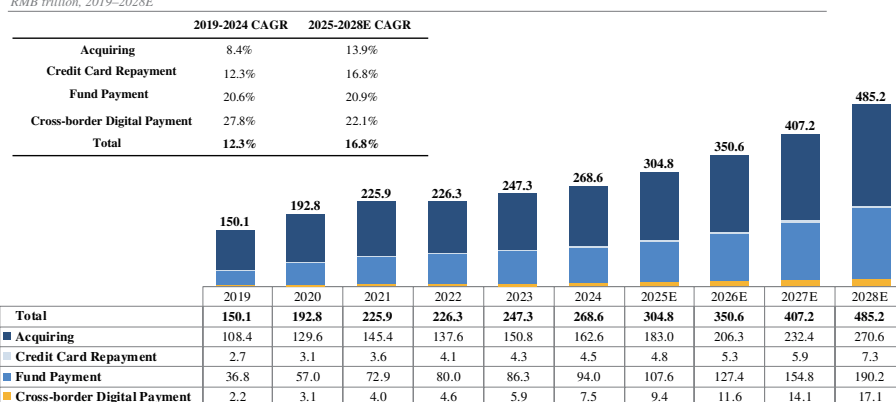
Integrated digital payment refers to the payment service provided by third-party payment service providers to consumers, merchants and other financial institutions. Integrated digital payment services mainly include acquiring, credit card repayment, fund payment and cross-border digital payment.

- **Acquiring:** Acquiring refers to a payment processing arrangement where a merchant utilizes the services of an integrated digital payment service provider to establish transactions with consumers. The integrated digital payment service provider acts as an intermediary between the merchants and issuing banks or digital wallets, offering a range of acquiring services along with additional features and functionalities.
- **Credit card repayment:** Credit card repayment refers to the repayment of the amounts charged to a credit card through an integrated digital payment service provider.
- **Fund payment:** Fund payment refers to the transfer of funds between an investor and a fund sales agency through an integrated digital payment service provider to facilitate the account opening, fund purchase, payment, redemption, dividend payout, refunds and other functions.
- **Cross-border digital payment:** Cross-border digital payment, which includes both B2C and B2B cross-border digital payment, refers to the process of transferring of funds across borders and regions to facilitate business transactions through an integrated digital payment service provider.

The growth of the integrated digital payment market in recent years has been fueled by the increasing popularity of digital payment tools and their integration into a broader range of payment scenarios, and the diversification of consumption scenarios is expected to further drive the market growth. The TPV of China’s integrated digital payment market has increased from RMB150.1 trillion in 2019 to RMB268.6 trillion in 2024, representing a CAGR of 12.3%, and is expected to reach RMB485.2 trillion in 2028, representing a CAGR of 16.8% from 2025 to 2028. The following chart presents the historical and projected market size of China’s integrated digital payment market in terms of TPV from 2019 to 2028:

TPV of China’s Integrated Digital Payment Market

RMB trillion, 2019–2028E



Source: PBOC, PCAC, Frost & Sullivan Report

Note:

- (1). The relatively slow growth in TPV of China’s integrated digital payment market in 2022 was primarily attributed to the modest increase in China’s consumption expenditure by 1.8% from RMB34.0 trillion in 2021 to RMB34.6 trillion in 2022, as a result of the impact of COVID-19 pandemic.

INDUSTRY OVERVIEW

Penetration rate of integrated digital payment services in various regions of mainland China

The penetration rate of integrated digital payment services in various regions of mainland China is calculated by the number of active merchants that using integrated digital payment services relative to the total number of merchants in each region. The following table presents a comparison of the penetration rate of the integrated digital payment services in different regions in mainland China:

Region	Penetration Rate
Eastern China	93%
Central and Southern China.	91%
Northern China	90%
Southwest China	87%
Northwest China	85%
Northeast China	82%

Entry Barriers of Integrated Digital Payment Market in China

New entrants to the integrated digital payment market in China may encounter the following established entry barriers:

- **Payment licenses:** Digital payment service providers require a payment license to carry out payment related business. Due to intense market competition, regulatory agencies have become increasingly stringent in their evaluation of the qualifications and conditions of applicants, making it difficult for new entrants to obtain a payment license.
- **Technology:** Establishing a modularized system for product iteration and deployment, as well as accessing a single API for all innovative products and services, are crucial for sustaining operations in the digital payment industry. Additionally, the reliability and security of data systems is vital for digital payment service providers, as they handle extensive transaction data, including user information, transaction amounts, and processing time. The stability and efficiency of the payment system heavily rely on the technological innovation capabilities of established players, posing a challenge for new entrants.
- **Partnership ecosystem:** Digital payment service providers need to build a network of collaboration channels with key participants, such as software providers, technology platforms, financial institutions and agencies. Building and maintaining positive relationships with key participants is essential for digital payment service providers to foster a thriving payment ecosystem. Pioneers in the integrated digital payment market have already established stable partnership with financial institutions and other ecosystem partners, creating challenges and hurdles for latecomers.
- **Product innovation:** Digital payment service providers must consistently introduce creative products to cater to the specific requirements of customers, which demands product innovation capabilities. This poses a barrier for new entrants due to limited resources.
- **Brand image and customer reputation:** Building a strong brand image and customer reputation is vital for digital payment service providers to retain customer loyalty and attract new users. However, this process presents a significant challenge for new entrants, as it requires considerable time, resources, and investments to establish a positive reputation in the market.

INDUSTRY OVERVIEW

Competitive Landscape of Integrated Digital Payment Market in China

Integrated digital payment service providers in China are classified into two categories, namely independent and non-independent integrated digital payment service providers. Independent integrated digital payment service providers are not owned or controlled by financial institutions, nor are they highly dependent on the businesses contributed by connected parties, such as large ecommerce platforms or social media platforms.

The advantages of independent integrated digital payment service providers include:

- (i) ***Providing a comprehensive solution to medium-size, small and micro-size merchants who typically operate with limited budgets.*** On one hand, comprehensive solutions combine various services, such as payment processing, inventory management, and customer relationship management, into a single, affordable package, reducing overall costs for the merchant. On the other hand, by utilizing an all-in-one solution, merchants can streamline their operations, reducing the need for multiple vendors and platforms, thereby minimizing operational complexities and improving overall efficiency. By offering comprehensive solutions to medium-size, small and micro-size merchants, independent integrated digital payment service providers can increase customer loyalty and eventually yield a long-term relationship with merchants.
- (ii) ***Providing tailor-made solutions in different niche industries.*** Each niche industry has specific operational requirements, regulations, and customer expectations. Customized solutions can include features and functionalities that address these unique needs directly, ensuring that the services provided are relevant and effective. For businesses in sectors such as catering and retail, digital commerce-enabling solutions can be tailored to meet their distinct requirements. In the catering industry, for example, efficient ordering and cash register processes are vital. A SaaS cash register system can streamline these tasks, enhancing the operational efficiency of restaurants. Such systems often integrate with mobile payment codes, allowing customers to make quick payments by scanning codes, which further improves cash register efficiency. The system also integrates with mobile payment codes, allowing customers to pay quickly by scanning codes, further boosting cash register efficiency. By delivering tailored services to segmented industries, independent integrated digital payment service providers can optimize operations and strategically allocate resources to high-priority areas. This approach enhances product quality, boosts customer satisfaction, and drives sustainable growth.

The disadvantages of independent integrated digital payment service providers include:

- (i) ***Lack of resource input from established business ecosystem from their parent group.*** Non-independent integrated digital payment service providers, such as Tenpay, operates as a subsidiary of Tencent Group. Tencent Group boasts a diverse portfolio of businesses, including WeChat, QQ, Tencent Games, and Tencent Video. They have built a robust commercial ecosystem spanning communication, social networking, gaming, and video entertainment, seamlessly integrating Tenpay’s payment services into their existing business lines. Without these established business lines, independent providers must build their connections from scratch, a process that is resource-intensive and time-consuming.

INDUSTRY OVERVIEW

- (ii) **Lack of established customer bases.** Non-independent integrated digital payment service providers can leverage their extensive user networks to expand into the payment sector. For instance, Alipay capitalizes on Taobao’s sizable user base to extend its services to encompass payment scenarios across major e-commerce platforms. Independent digital payment service providers require substantial investments in marketing and outreach for customer acquisition, rendering customer acquisition cost higher.

According to Frost & Sullivan, the total TPV of integrated digital payment services market in China in 2024 was RMB268.6 trillion, with the top ten integrated digital payment institutions collectively holding approximately 82.4% of the total market share. We ranked eighth among the integrated digital payment service providers in China in terms of the TPV in 2024, with a market share of approximately 0.8%. The following chart presents the market share of the top ten integrated digital payment service providers in China by TPV in 2024:

Ranking of China’s Integrated Digital Payment Service Providers, 2024, by TPV

Ranking	Company	TPV (RMB trillion)	Market Share	Nature	Ranking	Company	TPV (RMB trillion)	Market Share	Nature
1	Company A	110.8	41.2%	Non-independent	6	Company H	2.6	1.0%	Independent
2	Company B	69.0	25.7%	Non-independent	7	Company F	2.4	0.9%	Independent
3	Company C	23.5	8.7%	Non-independent	8	The Company	2.1	0.8%	Independent
4	Company D	4.5	1.7%	Independent	9	Company I	2.0	0.7%	Independent
5	Company G	2.8	1.0%	Non-independent	10	Company E	1.8	0.7%	Independent

Source: Frost & Sullivan Report

Notes:

- Company A is a private company founded in 2004 and is headquartered in Hangzhou. It is a leading open internet platform that primarily provides digital payment services and digital financial services to domestic customers in China.
- Company B is a private company founded in 2005 and is headquartered in Shenzhen. It is a subsidiary of a leading technology company as a third-party digital payment platform that primarily provides payment services to internet users and companies.
- Company C is a state-owned enterprise founded in 2002 and is headquartered in Shanghai. It primarily provides integrated payment services, especially bank card acquiring and network payments, to merchants and enterprises.
- Company D is a public company founded in 2005 and is listed on Shenzhen Stock Exchange. It is headquartered in Beijing and primarily provides payment services and digital technology solutions to merchants in China in both offline and online scenarios.
- Company E is a private company founded in 2009 and is headquartered in Shenzhen. It primarily provides acquiring services to corporate users and personal payment services to individual users.
- Company F is a private company founded in 2010 and is headquartered in Fuzhou. It is a one-stop service platform, providing integrated payment services and various SaaS products to online and offline merchants.
- Company G is a private company founded in 2002 and is headquartered in Shenzhen. It primarily provides integrated payment solutions for medium-size and small-size merchants.
- Company H is a private company founded in 2013 and is headquartered in Shenzhen. It is a subsidiary of a public company founded in 2011 and listed on Hong Kong Stock Exchange. It is a payment-based technology platform in China providing payment and business services to merchants and consumers.
- Company I is a private company founded in 2013 and is headquartered in Guangzhou. It primarily provides payment services to customers in China in various industries such as retail, education and fintech.

INDUSTRY OVERVIEW

According to Frost & Sullivan, the TPV of integrated digital payment services market contributed by independent integrated digital payment service providers in China was RMB45.7 trillion in 2024, with the top ten independent integrated digital payment service providers collectively holding approximately 46.4% of the total market share. We ranked fourth among the independent integrated digital payment service providers in China in terms of the TPV in 2024, with a market share of approximately 4.5%. The following chart presents the market share of the top ten independent integrated digital payment service providers in China by TPV in 2024:

Ranking of China’s Independent Integrated Digital Payment Service Providers, 2024, by TPV

Ranking	Company	TPV (RMB trillion)	Market Share
1	Company D	4.5	9.8%
2	Company H	2.6	5.7%
3	Company F	2.4	5.3%
4	The Company	2.1	4.5%
5	Company I	2.0	4.3%
6	Company E	1.8	3.9%
7	Company K	1.6	3.5%
8	Company J	1.5	3.2%
9	Company L	1.4	3.1%
10	Company M	1.3	2.9%

Source: Frost & Sullivan Report

Notes:

- (1). Company J is a private company founded in 2006 and is headquartered in Shanghai. It primarily provides payment services such as acquiring, funds management and data integration to customers in China in various industries.
- (2). Company K is a private company founded in 2001 and is headquartered in Beijing. It primarily provides payment solutions and integrated financial services for medium-size, small and micro-size merchants.
- (3). Company L is a private company founded in 2011 and is headquartered in Beijing. It is an intelligent payment platform for offline scenarios, empowering small and micro-size merchants through “Payment + Technology” strategy.
- (4). Company M is a private company founded in 2008 and is headquartered in Shanghai. It primarily provides payment services and value-added services to merchants and enterprises in China in both offline and online scenarios.

Market Drivers of Integrated Digital Payment Market in China

Positive macroeconomic environment. Over the recent years, a positive macroeconomic environment has established the groundwork for the development of integrated digital payment market in China. From 2019 to 2024, China’s GDP per capita increased from RMB70,078 to RMB95,749 with a CAGR of 6.0%, and China’s total consumption expenditure increased from RMB30.4 trillion to RMB39.8 trillion with a CAGR of 5.5%. The upward trend in GDP per capita and consumer spending reflects a favorable macroeconomic condition to better support the growth of the integrated digital payment market in China.

Emergence of new retail model. The new retail model in China, which integrates online services, offline experiences, and modern logistics, has significantly impacted the entire lifecycle of goods, from production to distribution and sales. This transformation has created a growing demand for more comprehensive and integrated services from digital payment companies. The advent of the new retail model has accelerated the evolution of integrated digital payment institutions into comprehensive digital service providers for the entire industry ecosystem.

INDUSTRY OVERVIEW

Diversification of consumption scenarios. As consumer needs diversify and become more personalized, coupled with advancements in digital technology, new consumption scenarios are emerging. This has led to increased consumer demand for digital services and products. Traditional industries, such as catering and retail, are proactively expanding their online presence, while e-commerce platforms are forging digital connections across the industry value chain. This strategic shift proves to be effective in enhancing supply chain operational efficiency and facilitating industrial transformation and upgrading.

Market Drivers of Offline Integrated Digital Payment Market in China

Rising demand for offline integrated digital payment from small and micro businesses. In recent years, the quantity of small and micro enterprises in China has consistently increased from 81.6 million in 2019 to 124.0 million in 2023, occupying an important position within the payment market. Small and micro enterprises are distinguished by small individual payment transaction amounts coupled with a high volume of transactions. Consequently, there is a significant market demand for convenient and efficient payment solutions among these enterprises. The combination of the expanding number of small and micro enterprises and the escalating demand for the offline payment has collectively fueled the expansion of the offline integrated digital payment market size.

Widespread adoption of offline digital payment tools. In China, the rapid expansion of offline digital payment tools, primarily driven by major technology companies, has stimulated the adoption of digital payment methods. The widespread utilization of QR code payments provides more convenient conditions and promotes the development of the offline integrated digital payment market. The number of China’s digital payment users have increased from 768.0 million in 2019 to 1,028.9 million in 2024, representing a CAGR of 6.0%. At the same time, the iterative update of mobile devices has reduced the hardware cost of collection devices. The wide application of low-cost collection devices such as code scanning box has further expanded the market of offline digital payment.

Shifts in consumers’ payment habits. The evolving payment habits of Chinese consumers, including the growing adoption of mobile payment and other offline digital methods, have fueled the advancement of China’s digital payment industry. With the prevalent use of smartphones, Chinese consumers are progressively opting for digital payment solutions. These methods offer convenience, efficiency, and a reduced reliance on cash and cheques, thereby creating significant market opportunities for digital payment companies in China to drive offline integrated digital payment industry growth.

Future Trends of Integrated Digital Payment Market in China

Increasing adoption of technology. The emergence and application of technology have not only revolutionized payment methods, but also spawned a series of novel business models and services. For example, through big data analysis, integrated digital payment service providers can gain deeper insights into customer needs, allowing for the tailoring of products and services. AI technology, on the other hand, can be used to improve the security and transparency of payment processes. These technological advancements ensure the stability and efficiency of the payment system. The continuous advancement of technology will stimulate the expansion of the digital payment market, leading to the emergence of innovative products and services that cater to evolving market demands.

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Continuous product innovation. Chinese integrated digital payment service providers are committed to innovations in digital payment offerings, providing merchants with comprehensive and diverse solutions that encompass various payment options and transformation tools. In particular, integrated digital payment service providers are adopting single API, providing full suite of integrated payment solutions and value-added services through a single point of access. In the future, Chinese integrated digital payment service providers will persist in developing novel digital payment products, offering merchants a wider range of methods and tools to enhance operational efficiency and increase revenue, which in turn will provide consumers with a streamlined and seamless payment experience.

Stricter regulatory requirements for risk control and compliance. The growth of digital payment market has prompted the implementation of more rigorous regulations aimed at safeguarding consumer finances and ensuring data privacy. The State Council of China issued the “Regulations on Supervision and Administration of Non-Bank Payment Institutions” (《非銀行支付機構監督管理條例》) in December 2023, which became effective from May 1, 2024. The new regulations require non-bank payment institutions to fortify their systems and technologies, prudently oversee payment accounts, and apply strict measures to safeguard funds, which are designed to reinforce consumer protection, enhance security, and affirm the contribution of digital payments to the real economy.

Overseas business expansion. As the pace of globalization accelerates, in order to serve international customers and expand business coverage, it is crucial for integrated digital payment service providers to offer customized products and cross-border digital payment services. Firstly, integrated digital payment service providers need to meet the diverse payments needs of international customers. To extend their market presence, it’s essential for them to expedite their global expansion efforts with a focus on varied payment offerings. Such efforts could involve setting up acquiring services for overseas merchants and delivering SaaS platforms that offer payment and supplementary services tailored to the needs of global merchants. Secondly, as Chinese enterprises increasingly expand their presence overseas, there has been a substantial increase in market demand for cross-border payment services and digital products. This has led to the expansion of cross-border payment business as a prominent development trend.

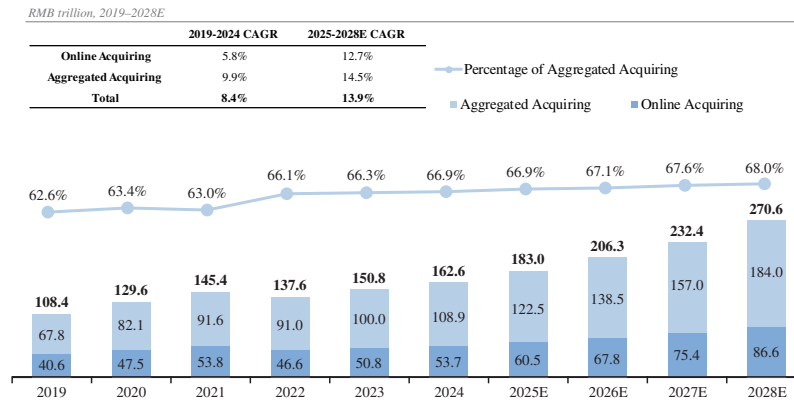
Overview of Acquiring Market in China

Acquiring refers to a payment processing arrangement where a merchant utilizes the services of an integrated digital payment service provider to establish transactions with consumers. Acquiring can be classified into two categories, online acquiring where the payment occurs online and aggregated acquiring where the payment occurs offline such as checkout at offline restaurants or supermarkets. Aggregated acquiring includes both QR code acquiring and bank card acquiring.

In recent years, the widespread adoption of QR code payment methods has significantly contributed to the growth of the acquiring business. Looking ahead, the expanding merchant base is poised to generate even greater demand for acquiring services. The market size of acquiring market by integrated digital payment service providers in terms of TPV increased from RMB108.4 trillion in 2019 to RMB162.6 trillion in 2024, representing a CAGR of 8.4%, and is expected to reach RMB270.6 trillion in 2028, representing a CAGR of 13.9% from 2025 to 2028. In particular, the market size of aggregated acquiring market in terms of TPV increased from RMB67.8 trillion in 2019 to RMB108.9 trillion in 2024, representing a CAGR of 9.9%, and is expected to reach RMB184.0 trillion in 2028, representing a CAGR of 3.9% from 2025 to 2028. The following chart presents the historical and projected market size of China’s acquiring market by integrated digital payment service providers in terms of TPV from 2019 to 2028:

INDUSTRY OVERVIEW

Market Size of Acquiring Market in China by Integrated Digital Payment Service Providers, by TPV



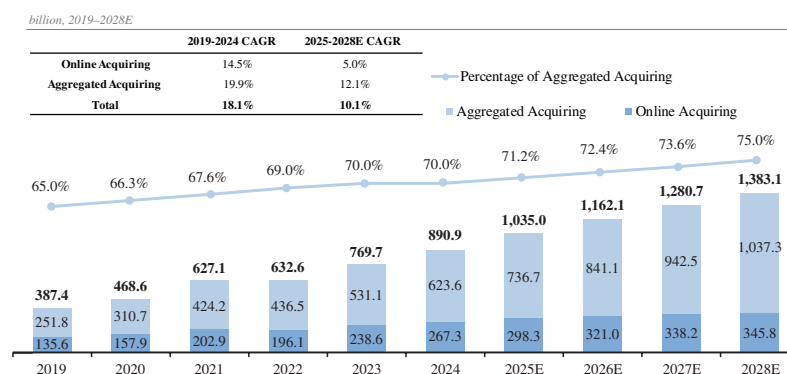
Source: Frost & Sullivan Report

Note:

- * In 2022, due to the impact of the epidemic, small and micro business merchants in China faced operational difficulties, leading to the reduced demand for acquiring services by integrated digital payment service providers. Therefore, the market size of acquiring market decreased in 2022.

In terms of number of transactions, the market size of acquiring market increased from 387.4 billion in 2019 to 890.9 billion in 2024, representing a CAGR of 18.1% from 2019 to 2024, and is expected to reach 1,383.1 billion in 2028, representing a CAGR of 10.1% from 2025 to 2028. The number of transactions of aggregated acquiring market increased from 251.8 billion in 2019 to 623.6 billion in 2024, representing a CAGR of 19.9% from 2019 to 2024, and is expected to reach 1,037.3 billion in 2028, representing a CAGR of 12.1% from 2025 to 2028. The following chart presents the historical and projected market size of China’s acquiring market in terms of number of transactions from 2019 to 2028:

Market size of Acquiring Market in China by Integrated Digital Payment Service Providers, by number of transactions

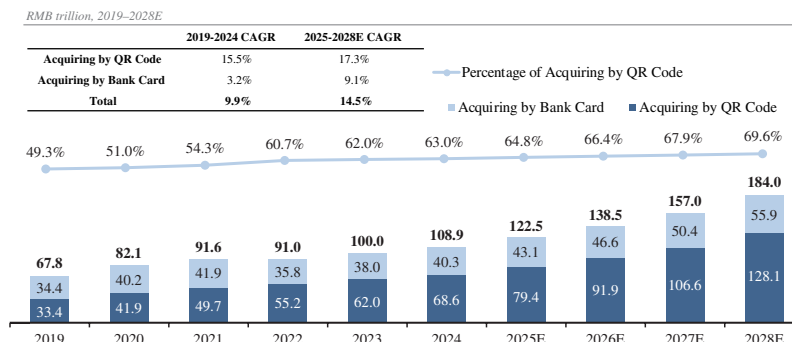


Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Aggregated acquiring market can be further divided into acquiring by bank card and acquiring by QR code. The QR code method accounts for a larger proportion of the whole market, driven by the rising penetration rate of mobile payment tools over the past few years. The market size of aggregated acquiring by QR code market in terms of TPV increased from RMB33.4 trillion in 2019 to RMB68.6 trillion in 2024, representing a CAGR of 9.9%, and is expected to reach RMB128.1 trillion in 2028, representing a CAGR of 14.5% from 2025 to 2028. The following chart presents the historical and projected market size of China’s aggregated acquiring market in terms of TPV from 2019 to 2028:

Market Size of Aggregated Acquiring Market in China by Integrated Digital Payment Service Providers , by TPV



Source: Frost & Sullivan Report

Competitive landscape of aggregated acquiring market

According to Frost & Sullivan, the TPV of aggregated acquiring market in China in 2024 was RMB108.9 trillion, with the top ten integrated digital payment service providers collectively holding approximately 81.2% of the total market share. We ranked ninth among the integrated digital payment service providers in China in terms of the TPV in aggregated acquiring market in China in 2024, with a market share of approximately 1.2%. The following chart presents the market share of the top ten integrated digital payment service providers in China by TPV of aggregated acquiring market in China in 2024:

Ranking of China’s Integrated Digital Payment Service Providers in Aggregated Acquiring Market, 2024, by TPV

Ranking	Company	TPV (RMB trillion)	Market Share	Nature
1	Company B	35.0	32.1%	Non-independent
2	Company A	21.0	19.3%	Non-independent
3	Company C	18.0	16.5%	Non-independent
4	Company D	4.3	3.9%	Independent
5	Company H	2.5	2.3%	Independent
6	Company F	2.0	1.8%	Independent
7	Company I	1.9	1.7%	Independent
8	Company E	1.4	1.3%	Independent
9	The Company	1.3	1.2%	Independent
10	Company L	1.1	1.0%	Independent

Source: Frost & Sullivan Report

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The TPV of aggregated acquiring market contributed by independent integrated digital payment service providers in China was RMB35.9 trillion in 2024, with the top ten independent aggregated acquiring companies collectively holding approximately 48.3% of the total market share. We ranked sixth among the independent integrated digital payment service providers in China in terms of the TPV in 2023, with a market share of approximately 3.6%. The following chart presents the market share of the top ten independent integrated digital payment service providers in China by TPV of aggregated acquiring market in China in 2024:

Ranking of China’s Independent Digital Integrated Payment Service Providers in Aggregated Acquiring Market, 2024, by TPV

Ranking	Company	TPV (RMB trillion)	Market Share
1	Company D	4.3	11.9%
2	Company H	2.5	6.8%
3	Company I	2.0	5.6%
4	Company F	1.9	5.2%
5	Company E	1.4	3.8%
6	The Company	1.3	3.6%
7	Company L	1.1	3.1%
8	Company N	1.1	3.0%
9	Company K	1.0	2.8%
10	Company J	0.9	2.5%

Source: Frost & Sullivan Report

Note:

- (1). Company N is a private company founded in 2009 and is headquartered in Shenzhen. It primarily provides integrated payment solutions and digital services to merchants and enterprises in China in various industries such as communication, manufacturing and fast-moving consumer goods.

According to Frost & Sullivan, the number of transactions of aggregated acquiring market by integrated digital payment service providers in China was 623.6 billion in 2024, with the top five integrated digital payment service providers collectively holding approximately 73.3% of the total market share. We ranked third among the integrated digital payment service providers in China in terms of the number of transactions in 2024, with a market share of approximately 2.3%. The following chart presents the market share of the top five integrated digital payment service providers in China by number of transactions of aggregated acquiring market in China in 2024:

Ranking of China’s Integrated Digital Payment Service Providers in Aggregated Acquiring, 2024, by Number of Transactions

Ranking	Company	Number of Transactions (billion)	Market Share	Nature
1	Company B	275.0	44.1%	Non-independent
2	Company A	140.0	22.5%	Non-independent
3	The Company	14.1	2.3%	Non-independent
4	Company C	14.0	2.2%	Independent
5	Company D	13.9	2.2%	Independent

Source: Frost & Sullivan Report

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The number of transactions of aggregated acquiring market by independent integrated digital payment service providers in China was 93.5 billion in 2024, with the top five independent integrated digital payment service providers collectively holding approximately 54.6% of the total market share. We ranked first among the independent integrated digital payment service providers in China in terms of the number of transactions in 2024, with a market share of approximately 15.1%. The following chart presents the market share of the top five independent integrated digital payment service providers in China by number of transactions of aggregated acquiring market in China in 2023:

Ranking of China’s Independent Integrated Digital Payment Service Providers in Aggregated Acquiring, 2024, by Number of Transactions

Ranking	Company	Number of Transactions (billion)	Market Share
1	The Company	14.1	15.1%
2	Company D	13.9	14.8%
3	Company H	9.8	10.5%
4	Company F	8.1	8.6%
5	Company I	5.2	5.6%

Source: Frost & Sullivan Report

The TPV of aggregated acquiring by QR code market contributed by independent integrated digital payment service providers in China was RMB10.1 trillion in 2024, with the top five independent integrated digital payment service providers collectively holding approximately 31.7% of the total market share. We ranked second among the independent integrated digital payment service providers in China in terms of the TPV in 2024, with a market share of approximately 8.0%. The following chart presents the market share of the top five independent integrated digital payment service providers by TPV of aggregated acquiring by QR code market in China in 2024:

Ranking of China’s Independent Integrated Digital Payment Service Providers in Aggregated Acquiring by QR Code Market, 2024, by TPV

Ranking	Company	TPV (RMB trillion)	Market Share
1	Company D	1.3	8.5%
2	The Company	1.2	8.0%
3	Company H	1.0	6.5%
4	Company I	0.7	4.6%
5	Company E	0.6	4.2%

Source: Frost & Sullivan Report

Future trends of acquiring market in China

Customized payment solutions and services. Integrated digital payment service providers are customizing payment solutions and value-added services for specific industries and consumer groups, particularly in hospitality, leisure, and entertainment sectors, to address their unique payment needs. Integrated digital payment service providers can fulfill this need by creating a user-friendly and functional single API while ensuring the data security. In addition, innovations in mobile payment and smart POS technologies have introduced new methods and models to the aggregated acquiring market, better addressing the changing customer payment habits. The innovative approaches implemented by these providers are solidifying their roles in targeted markets, indicating a growing prevalence of such customized strategies in the future.

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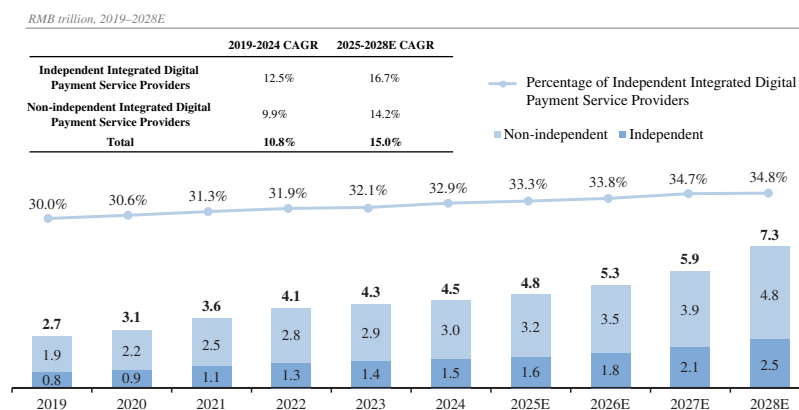
Stringent regulations driving compliance and authenticity in China’s acquiring industry. China’s acquiring industry is experiencing rapid evolution within a stricter regulatory framework. The PBOC and other agencies are actively formulating policies that encourage innovation and service improvement while upholding rigorous regulatory standards. These initiatives encompass data protection laws, more stringent market entry criteria, and reinforced oversight of cross-border payments and licensing. Policy measures, including the unification of merchant categories and the abolishment of tiered pricing, have effectively addressed issues like assigning inaccurate merchant category codes and abusing credit card pre-authorization rules.

Technological advancements driving evolving acquiring methods. Technological advancements have revolutionized acquiring methods, extending beyond traditional card and QR code scanning payments to encompass near field communication (“NFC”), facial recognition, and digital currencies. To keep up with technological advancements, it is crucial for integrated digital payment service providers to establish a stable payment system and maintain sustained product innovation capabilities. This necessitates long-term investments in technology. By fostering strong technological innovation, these providers can offer merchants with more suitable acquiring products for market development, and further expand their market shares.

Overview of Credit Card Repayment Market in China

Credit card repayment refers to the process of repaying the charges incurred by using credit cards through integrated digital payment service providers. In the past years, the convenience of services and products offered by integrated digital payment service providers has driven the expansion of the credit card repayment market. In the future, the growth of the credit card repayment market will be further propelled by the increasing willingness and consumption ability of individuals, demand for convenient payment options and incorporation of additional value-added services. The market size of credit card repayment market by integrated digital payment service providers in terms of TPV in China increased from RMB2.7 trillion in 2019 to RMB4.5 trillion in 2024, representing a CAGR of 10.8%, and is expected to reach RMB7.3 trillion in 2028, representing a CAGR of 15.0% from 2025 to 2028. The market size of credit card repayment market by independent integrated digital payment service providers increased from RMB0.8 trillion in 2019 to RMB1.5 trillion in 2024, representing a CAGR of 12.5%, and is expected to increase to RMB2.5 trillion in 2028, representing a CAGR of 16.7% from 2025 to 2028. The following chart presents the historical and projected market size of China’s credit card repayment market by integrated digital payment service providers in terms of TPV from 2019 to 2028:

**Market Size of Credit Card Repayment in China
by Integrated Digital Payment Service Providers, by TPV**



Source: Frost & Sullivan Report

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Competitive landscape of credit card repayment market

The TPV of credit card repayment market by integrated digital payment service providers market in China in 2024 was RMB4.5 trillion, with the top five integrated digital payment service providers collectively holding approximately 91.7% of the total market share. We ranked fourth among the integrated digital payment service providers in China in terms of the TPV in 2024, with a market share of approximately 11.5%. The following chart presents the market share of the top five integrated digital payment service providers in China by TPV of credit card repayment in China in 2024:

**Ranking of China’s Integrated Digital Payment Service Providers
Credit Card Repayment Market, 2024, by TPV**

Ranking	Company	TPV (RMB trillion)	Market Share	Nature
1	Company A	1.6	35.7%	Non-independent
2	Company B	1.0	22.3%	Non-independent
3	Company C	0.6	13.4%	Non-independent
4	The Company	0.5	11.5%	Independent
5	Company M	0.4	8.9%	Independent

Source: Frost & Sullivan Report

Future trends of credit card repayment market in China

Strengthening measures for preventing and controlling data risks. China’s payment sector is actively developing a robust risk management framework to enhance its risk mitigation capabilities. As part of this effort, the NFRA mandates banks to strengthen the evaluation and assessment of applicants’ suitability, with a particular focus on their solvency, and to make adjustments to credit limits based on changes in applicants’ solvency. Meanwhile, banks also take actions to control credit risks actively such as setting reasonable upper limits for repayment periods and lower limits for installment amounts. These strong regulatory measures help increase credit card repayment rates and reduce the likelihood of loan default, thereby ensuring the healthy growth of the credit card repayment market.

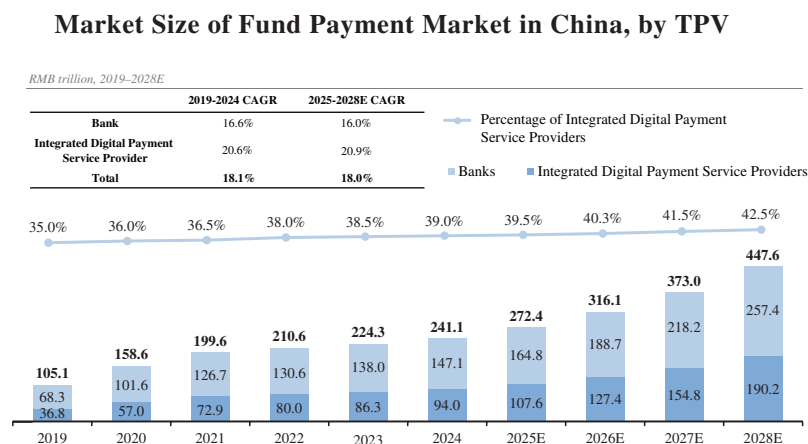
Improving the efficiency of payment through online real-time payment and agreed batch payment. In recent years, integrated digital payment service providers in China have improved payment convenience by streamlining batch payments. This enables one-time authorization for automatic deductions of multiple payments from linked debit cards on due dates. Furthermore, cardholders are able to instantly settle their credit card balances using alternative bank debit cards or platform accounts, enhancing payment convenience. As more platforms expand their credit card payment services, China’s credit card repayment industry is expected to progress further.

Enhancing cooperation with banks to obtain more channels for customer acquisition. Enhancing cooperation with banks can provide stable channels for integrated digital payment service providers to attract more customers. In particular, small and medium-sized joint-stock banks or regional banks heavily rely on online third-party repayment channels. By forging stronger partnerships with these banks, integrated digital payment service providers can jointly launch discounted repayment schemes and other initiatives to expand user coverage and enhance customer stickiness.

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Overview of Fund Payment Market in China

Fund payment involves the transfer of funds between an investor and a fund sales agency through an integrated digital payment service provider to facilitate the account opening, fund purchase, payment, redemption, dividend payout, refunds and other functions. Fund sales agency could either select commercial banks or integrated digital payment service providers to handle the fund payment business. Over the past few years, the market size of China’s fund payment market has maintained its growing trend, driven by the diversification of fund products offered and the rising demand for asset management. In the future, the fund payment market is expected to continue expanding, driven by ongoing expansion and innovation within the fund industry, coupled with optimization of payment channels. The market size of fund payment market by integrated digital payment service providers in terms of TPV in China increased from RMB36.8 trillion in 2019 to RMB86.3 trillion in 2023, representing a CAGR of 23.7%, and is expected to reach RMB195.5 trillion in 2028, representing a CAGR of 19.4% from 2024 to 2028. Investors who utilize these platforms often engage in numerous smaller-sized fund transactions. As a result, there is a high frequency of activities such as fund subscription, purchasing, and redemption, contributing to a significant growth in the overall market size of fund payment facilitated by integrated digital payment service providers. The following chart presents the historical and projected market size of China’s fund payment market in terms of TPV from 2019 to 2028:



Source: Frost & Sullivan Report

Future trends of fund payment market in China

Growth of independent fund sales agencies. As the channel share of independent fund sales agencies increases, the market size of the fund payment contributed by integrated digital payment service providers is expected to expand. Notably, independent fund sales agencies in China often rely on integrated digital payment service providers for handling fund sales payment settlements. The channel share of independent fund sales agencies in China’s mutual fund subscription and purchasing has increased from 21.5% in 2019 to 32.1% in 2023, while their channel share in mutual fund redemption has also risen from 18.8% in 2019 to 28.2% in 2023. The channel share of independent fund sales agencies in mutual fund subscription, purchasing and redemption is expected to continue to grow, driving the growth of fund payment business of integrated digital payment service providers.

Increasing user traffic through detailed and scenario-based marketing. As the fund industry’s customer acquisition costs gradually increase, customer-oriented and scenario-based marketing will become a general trend, and the fund payment service system will also play an important role in it. Such marketing can realize precise positioning toward the target group through statistical analysis on consumer

INDUSTRY OVERVIEW

data, thus improving marketing efficiency and user satisfaction. By cultivating a diverse scenario-based payment ecosystem, integrated digital payment service providers can establish cooperative relationships with more partners to jointly expand market share and increase user traffic.

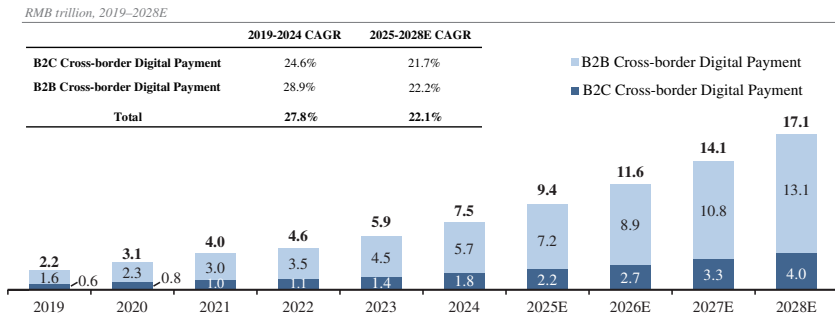
Increasingly stringent regulatory policies. In recent years, the regulatory policies on fund sales agencies and fund service providers have become more stringent. In 2020, the CSRC issued the “Measures for the Supervision and Administration of Fund Sales Agencies of Public Securities Investment” (《公開募集證券投資基金銷售機構監督管理辦法》), which mandates fund payment agencies to establish effective risk control systems and secure, efficient information systems for payment transactions. The increased enforcement of these regulatory policies will drive fund payment agencies to enhance the standardization and transparency of their business operations, reducing the risk of non-compliance.

Overview of Cross-border Digital Payment Market in China

Cross-border digital payment refers to the process of transferring of funds across borders and regions through an integrated digital payment service provider. In terms of the client group, cross-border digital payment services can be divided into B2C and B2B cross-border digital payments. B2C cross-border digital payment refers to the process of business facing consumers through e-commerce platforms and making payment transactions. B2B cross-border digital payment refers to the process of business entering into transactions and making payments with businesses.

In recent years, the cross-border e-commerce market in China has seen a progressive expansion, driven by strong demand from overseas markets, coupled with the development of a sophisticated digital infrastructure and a comprehensive global logistics network. This surge in e-commerce has, in turn, propelled the growth of the B2C cross-border digital payment sector. Simultaneously, the increasing trend of Chinese companies expanding their operations abroad has further stimulated the evolution of B2B digital cross-border payment landscape. Going forward, as the trade environments both globally and within China continue to evolve, the market for cross-border digital payments is expected to grow, supported by the ongoing integration of markets and advancements in payment technologies, which will likely enhance the efficiency and convenience of transactions. According to Frost & Sullivan, the market size of cross-border digital payment in China in terms of TPV increased from RMB2.2 trillion in 2019 to RMB7.5 trillion in 2024, representing a CAGR of 27.8% from 2019 to 2024, and is expected to reach RMB17.1 trillion in 2028, representing a CAGR of 21.7% from 2025 to 2028. The following chart presents the historical and projected market size of China’s cross-border digital payment market in terms of TPV from 2019 to 2028:

Market Size of Cross-border Digital Payment in China by Integrated Digital Payment Service Providers , by TPV



Source: Frost & Sullivan Report

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Future trends of cross-border digital payment market in China

Rising market demand for comprehensive payment services. As global trade and e-commerce continue to expand, cross-border companies show greater reliance on integrated fund management payment service providers. These service providers provide comprehensive services such as handling of multiple currencies, risk management, exchange loss mitigation, remittance processing, and bank card payment facilitation. By offering a consolidated payment solution, these service providers can streamline cross-border transactions, improve customer experience, and provide convenient and seamless payment options for international enterprises and online consumers worldwide.

Increasing significance of technological innovation. Technological advancements are transforming the landscape of cross-border payments. The prevalent use of mobile devices has simplified the payment process, while the incorporation of AI, big data and cloud computing has improved the speed, security, and transparency of transactions. These technologies are instrumental in detecting fraud, managing risks, and ensuring secure transfers. Additionally, big data enables the provision of personalized customer experiences through the analysis of purchasing histories and behaviors. These innovations are pivotal to the progress of China’s cross-border payment industry.

Growing demand for local services from overseas companies. Cross-border businesses require localized services to align with regional payment practices, legal requirements, and cultural nuances. Payment solutions must accommodate regional preferences, such as the prevalence of mobile payments in China and the dominance of credit card usage in Europe and America. Therefore, cross-border digital payment providers must offer customized solutions to meet the varied payment requirements of various international markets.

Greater emphasis on compliance and risk control requirements for cross-border business. The international community is placing a heightened emphasis on compliance in cross-border trade, necessitating strict adherence to Anti-Money Laundering and Counter-Financing of Terrorism protocols. Furthermore, the increasing significance of data protection has led to stricter regulations, such as the European Union’s General Data Protection Regulation, which demands stringent data management by international entities. Payment providers are strengthening identity verification and due diligence processes to align with these regulations. Therefore, service providers are increasingly deploying technologies and algorithms to ensure that transactions are compliant with diverse international regulations.

OVERVIEW OF DIGITAL COMMERCE-ENABLING SOLUTIONS MARKET IN CHINA

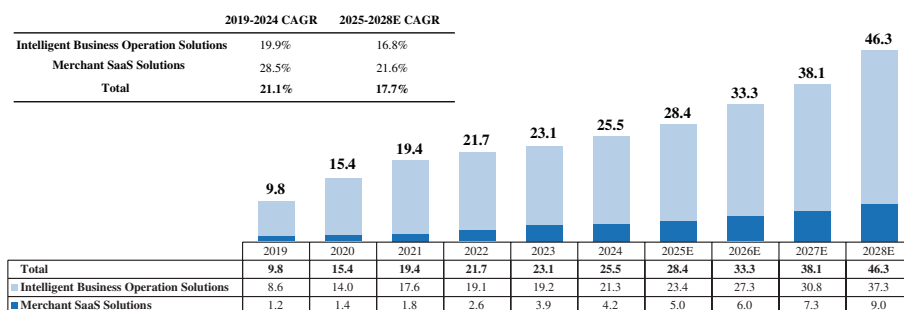
Digital commerce-enabling solutions comprise a suite of services emerging from the integrated digital payment sector, aimed at improving business operations for users. It can be divided into merchant SaaS solutions and intelligent business operation solutions. Merchant SaaS solutions refer to SaaS solutions based on payment to help customers improve their operational efficiency. Intelligent business operation solutions consist of a variety of value-added products and services, such as digital marketing services, account operation services, software services for financial institutions, electronic invoicing and other value-added services.

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In recent years, China’s digital commerce-enabling solutions market has experienced continuous growth, fueled by the rising number of merchants and the increasing demand for digital transformation. The market size of China’s digital commerce-enabling solutions is anticipated to further expand, driven by the optimization of cloud computing infrastructure and the adoption of emerging technologies such as AI and low-code platforms. The market size of digital commerce-enabling solutions in terms of revenue in China increased from RMB9.8 billion in 2019 to RMB25.5 billion in 2024, representing a CAGR of 21.1%, and is expected to reach RMB46.3 billion in 2028, representing a CAGR of 17.7% from 2025 to 2028. The following chart presents the historical and projected market size of China’s digital commerce-enabling solutions market in terms of revenue from 2019 to 2028:

Market Size of Digital Commerce-enabling Solutions in China, by Revenue

RMB billion, 2019–2028E

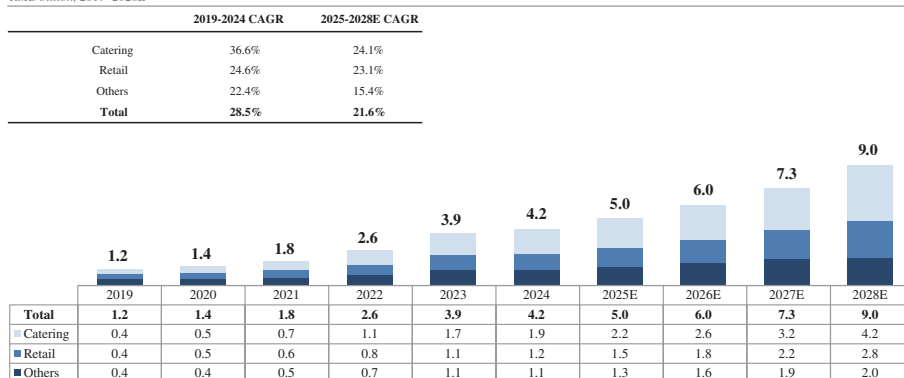


Source: Frost & Sullivan Report

As one of the major sub-segments of China’s digital commerce-enabling solutions market, China’s merchant SaaS solutions market can be further categorized into catering merchant SaaS market, retail merchant SaaS market, and other merchant SaaS market. The market size of merchant SaaS in China increased from RMB1.2 billion in 2019 to RMB4.2 billion in 2024, representing a CAGR of 28.5% from 2019 to 2024, and is expected to reach RMB9.0 billion in 2028, representing a CAGR of 21.6% from 2025 to 2028. The following chart presents the historical and projected market size of China’s merchant SaaS solutions market in terms of revenue from 2019 to 2028:

Market Size of Merchant SaaS Solutions in China, by Revenue, by Industry Vertical

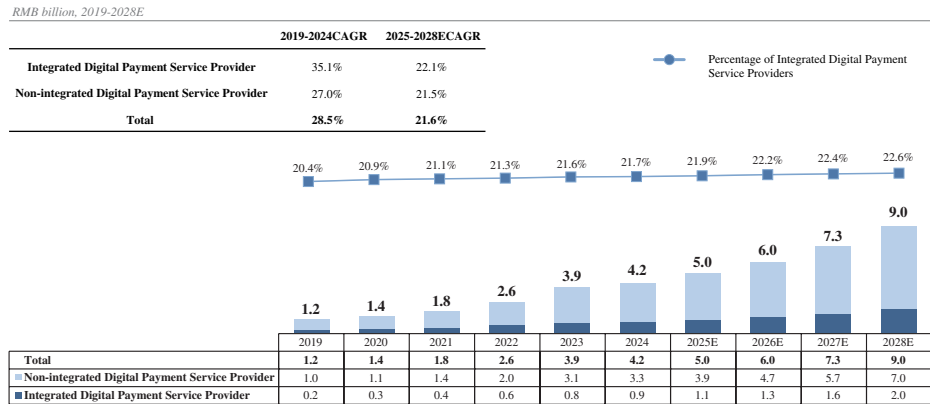
RMB billion, 2019–2028E



Source: National Bureau of Statistics, Frost & Sullivan Report

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Market Size of Merchant SaaS Solutions in China, by Revenue, by Company Nature



Source: National Bureau of Statistics, Frost & Sullivan Report

Ranking of Merchant SaaS Solutions Providers in China, 2024, by Number of New Merchants

Ranking	Company	Number of New Merchants (Thousand)	Market Share	Nature
1	Company O	420.0	30.7%	Internet Company
2	Company P	168.0	12.3%	ISV
3	The Company	120.0	8.8%	IDPSP
4	Company T	108.0	7.9%	ISV
5	Company Q	64.8	4.7%	ISV
6	Company R	54.0	3.9%	ISV
7	Company J	50.0	3.6%	IDPSP
8	Company D	39.0	2.8%	IDPSP
9	Company H	28.8	2.1%	IDPSP
10	Company E	25.2	1.8%	IDPSP

Source: Frost & Sullivan Report

Notes:

- IDPSP refers to Integrated Digital Payment Service Provider, while ISV stands for Independent Software Vendors.
- Company O is a private company founded in 2010 and listed on Hong Kong Stock Exchange, headquartered in Beijing. It's a technology retail company.
- Company P is a private company founded in 2012 and headquartered in Beijing. It mainly provides SaaS solutions for the catering and retail industries.
- Company Q is a private company founded in 2004 and listed on National Equities Exchange and Quotations, headquartered in Shenzhen. It provides SaaS solutions covering various segments such as catering and retail.
- Company R is a private company founded in 1999 and headquartered in Shenzhen and Wuhan. It specializes in the digital transformation of the retail and catering industries.
- Company T is a private company founded in 2010 and headquartered in Xiamen. It provides digital transformation solutions for various industry segments, including retail, catering, beauty and pet.

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Ranking of China’s Integrated Digital Payment Service Providers in Merchant SaaS Solutions Market, 2024, by Number of New Merchants

Ranking	Company	Number of New Merchants (Thousand)	Market Share
1	The Company	120.0	40.3%
2	Company J	50.0	16.8%
3	Company D	39.0	13.1%
4	Company H	28.8	9.7%
5	Company E	25.2	8.5%

Source: Frost & Sullivan Report

Ranking of Merchant SaaS Solutions Providers in China, 2024, by Number of Active Merchants

Ranking	Company	Number of New Merchants (Thousand)	Market Share	Nature
1	Company O	1,600.0	22.6%	Internet Company
2	Company P	1,260.0	17.8%	ISV
3	Company T	450.0	6.4%	ISV
4	Company J	378.0	5.3%	IDPSP
5	The Company	150.0	2.1%	IDPSP
6	Company Q	138.6	2.0%	ISV
7	Company R	126.0	1.8%	ISV
8	Company S	96.0	1.4%	ISV
9	Company D	80.0	1.1%	IDPSP
10	Company H	70.0	1.0%	IDPSP

Source: Frost & Sullivan Report

Note:

- (1). Company S is a private company founded in 1998 and headquartered in Tianjin. It specializes in providing digital transformation solutions and consulting services to the catering and retail industry.

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Market Drivers of Digital Commerce-Enabling Solutions Market in China

Adoption of emerging technologies. The optimization of cloud computing infrastructure and the adoption of emerging technologies such as AI and low-code platforms enable integrated digital payment platforms to offer more efficient and diverse value-added services. For example, leveraging low-code platforms, digital commerce-enabling solution providers are able to develop, manage and enhance value-added service programs without the need for complex coding. Additionally, the infrastructure of cloud computing is essential for supporting cloud computing services. The gradual optimization of cloud computing infrastructure enables digital commerce-enabling solution providers to reduce upfront costs, configure capacity flexibly, and enhance service stability.

Increasing demand from merchants. The number of merchants in China has increased from 120.1 million in 2019 to 188.6 million in 2024, which broadens the customer base for digital commerce-enabling solutions market. In addition, there is a rising demand from merchants for a diversified payment solution package. Digital commerce-enabling solutions provide a valuable tool to merchants, enabling them to cut costs and enhance efficiency. For example, the adoption of inventory management systems allows for the real-time monitoring of stock levels, thereby reducing inventory excesses and associated wastage.

Strong user engagement. Digital commerce-enabling solution platforms leverage vast amounts of user data to provide personalized value-added services for users. Once users become accustomed to these services, they are less likely to switch providers and migrate their historical data, resulting in high user stickiness. This loyalty from users serves as a driving force for digital commerce-enabling solution providers to enhance the breadth and depth of their value-added services.

Partnership ecosystem. Integrated digital payment service providers collaborate with other functional module service providers and hardware vendors to incorporate more innovative technologies, thus providing users with a more convenient and secure payment experience. By integrating their technologies and innovative products with financial institutions, software providers, and other collaborators, integrated digital payment service providers foster a beneficial payment ecosystem that enables merchants to access diverse payment and financial services. This collaborative effort enhances service efficiency, reduces operational costs, elevates the overall user experience and improves the customer stickiness.

Future Trends of Digital Commerce-Enabling Solutions Market in China

Development of technologies for more diverse and customized value-added services. In recent years, the continuous innovation of AI, big data, cloud computing and other technologies has expanded the horizons for integrated digital payment. The application of these technologies allows payment service providers to offer payment based aggregated services to merchants through a single API. For instance, digital commerce-enabling solution providers can leverage the vast payment data of consumers to perform customized data analysis and offer tailored marketing strategies, empowering merchants to gain a deeper understanding of consumer behavior and enhance their sales performance. In the future, digital commerce-enabling solutions will combine AI and other emerging technologies to continuously optimize value-added services and launch new value-added service functions more efficiently to cater to the operational needs of merchants, thereby enhancing user stickiness.

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Adaption to merchant model evolution. The development of the economy and the diversification of consumer needs have led to a variety of merchant models, from conventional physical retail outlets to online e-commerce sites, and to novel formats such as social e-commerce and live stream sales. Such shifts in merchant types have resulted in the diversity in consumer payment requirements. Consequently, digital commerce-enabling solutions must adapt to these varied merchant models, providing tailored services that align with each distinct format.

Expansion in international market. China’s cross-border e-commerce market has witnessed significant growth, growing from RMB1.3 trillion in 2019 to RMB2.4 trillion in 2023. As merchants seek to expand their international market presence, digital payment service providers play a crucial role by offering comprehensive digital business solutions, which include efficient cross-border e-commerce marketing, effective financial management and inventory control. Domestic payment service providers can further assist merchants in reducing transaction costs, optimizing capital utilization and seamlessly adapting to diverse payment landscapes across various countries and regions.

SOURCE OF INFORMATION

In connection with the [REDACTED], we engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report about China’s payment industry. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies, and provides growth consulting and corporate training. In connection with the market research services provided, we have paid a fee of RMB0.5 million to Frost & Sullivan, which we believe to be consistent with market rates.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan adopted the following assumptions: (i) global social, economic and political environment is likely to remain stable in the five years from 2023 to 2028, (ii) government policies on payment industry is likely to remain consistent in the five years from 2023 to 2028, and (iii) the key growth drivers mentioned in this section are likely to continue driving the payment industry.

Except as otherwise noted, all the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Frost & Sullivan has prepared the Frost & Sullivan Report based on detailed primary research which involved discussing the status of the payment industry with certain leading industry participants and secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

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Our business is subject to relevant PRC laws, regulations and rules and is regulated by various PRC government agencies such as the People’s Bank of China (the “PBOC”), the State Administration of Foreign Exchange of the PRC (the “SAFE”), the China Securities Regulatory Commission (the “CSRC”), the Ministry of Industry and Information Technology of the PRC (the “MIIT”), the Cyberspace Administration of China (the “CAC”) and the National Development and Reform Commission of the PRC (the “NDRC”). This section contains a summary of the most material laws and regulations applicable to our current business activities in China.

REGULATIONS RELATING TO PAYMENT SERVICES OF NON-BANK PAYMENT INSTITUTIONS

Regulations on Non-bank Payment Institutions

Pursuant to the Regulations on Supervision and Administration of Non-bank Payment Institutions (the “**Non-bank Payment Institutions Regulations**”) (《非銀行支付機構監督管理條例》) issued by the State Council of the People’s Republic of China (the “**State Council**”) on December 9, 2023, which became effective on May 1, 2024, a non-bank payment institution refers to a limited liability company or a joint-stock limited company, which is established in accordance with the law within the territory of the PRC, other than banking financial institutions, that has obtained the payment license and engaged in the transfer of currency funds and other payment businesses based on electronic payment instructions submitted by payees or payers. The People’s Bank of China (“PBOC”) shall oversee and regulate the non-bank payment institutions according to law. The payment services provided by the non-bank payment institutions are divided into two types based on whether they can receive prepaid funds from payees: stored value account operation and payment transaction processing, provided that single purpose pre-paid card services does not fall into payment business under the Non-bank Payment Institutions Regulations. Non-bank payment institutions shall engage in payment business in accordance with the type of business and within the geographical area of operation specified in the Payment License, and shall not, without authorization, engage in other businesses that subject to approval under the law. Where a non-bank payment institution provides payment services for domestic transactions, its transaction processing, fund settlement and data storage shall be conducted within the PRC. Non-bank payment institutions providing payment services for cross-border transactions shall comply with the relevant regulations on cross-border payments, cross-border RMB business, foreign exchange management and cross-border data transmission. Non-bank payment institutions engaged in stored value account operation shall comply with the laws, administrative regulations and the provisions of the PBOC on the management of payment accounts when they open payment accounts for users. The payment account shall be set up according to users’ real intention and in users’ real name, and shall be used for initiating payment instructions, reflecting transaction details and recording fund balance. Non-bank payment institutions shall process payment business conducted in cooperation with banking and financial institutions and other non-bank payment institutions through the clearing institutions identified by the PBOC, comply with the clearing administration rules, and shall not engage in clearing business directly or in any disguised form. The same shareholder must not directly or indirectly hold 10% or more of the shareholding or voting rights in two or more non-bank payment institutions of the same business type. The same de facto controller must not

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control two or more non-bank payment institutions of the same business type, unless otherwise provided by the State. Non-bank payment institutions intending to provide payment service for offline merchants in provinces, autonomous regions and municipalities other than their place of domicile shall set up branches as stipulated and file with the PBOC.

The PBOC issued the Implementing Rules for the Regulations on Supervision and Administration of Non-Bank Payment Institutions on July 9, 2024 (“**Implementing Rules for Non-bank Payment Institutions Regulations**”), which came into force on the same day. The Implementing Rules for Non-bank Payment Institutions Regulations further clarify the important concepts and connotations of the regulations on non-bank payment institutions, refine the administrative licensing requirements; provide that stored-value account operation and payment transaction processing business are subdivided into Type I and Type II, respectively, and clarify the correspondence between the old and new classification methods as well as the connection methods, etc. The Implementing Rules for Non-bank Payment Institutions Regulations clearly stipulate that payment institutions shall meet the requirements of the Non-bank Payment Institutions Regulations and the Implementing Rules on the establishment conditions of non-bank payment institutions and the ratio of net assets to the average daily balance of the reserve before the end of the transition period, and other requirements shall be implemented from the effective date of the Implementing Rules for Non-bank Payment Institutions Regulations. The transitional period shall be from the implementation of the Implementing Rules for Non-bank Payment Institutions Regulations to the expiry date of the validity period of its payment business license, and if the transitional period is less than 12 months, it shall be counted as 12 months.

Based on (1) the Company’s current compliance with and commitment to continue to comply with the requirements under the Non-bank Payment Institutions Regulations and the Implementing Rules for the Regulations on Supervision and Administration of Non-Bank Payment Institutions, and (2) the fact that compliance with relevant requirements is not expected to have a material adverse effect on our business operations, the Company believes that the entry into force of the Non-bank Payment Institutions Regulations and the Implementing Rules for the Regulations on Supervision and Administration of Non-Bank Payment Institutions will not have a material adverse effect on our business operations.

Pursuant to the Administrative Measures for the Reporting of Material Matters by Non-bank Payment Institutions (《非銀行支付機構重大事項報告管理辦法》) issued by the PBOC on July 20, 2021 and came into force on September 1, 2021, if a payment institution proposes to make an initial public offering or to issue additional shares, or if a major contributor or the de facto controller of the payment institution proposes to make an initial public offering, including but not limited to the circumstance where it directly serves as a subject of the initial public offering or makes an overseas listing through variable interest entities or otherwise, the payment institution shall report the events to the local branch office of the PBOC in advance. The Company has fulfilled the foregoing reporting obligations to the Shanghai Branch of the People’s Bank of China on March 29, 2024.

Pursuant to the Non-bank Payment Institutions Regulations, non-bank institutions outside of the PRC shall establish non-bank payment institutions in the PRC for providing cross-border payment services to domestic users, unless otherwise provided by the State. According to the People’s Bank of China Announcement [2018] No. 7 – Announcement on Matters Relating to Foreign Investment

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in Payment Institutions (《中國人民銀行公告[2018]第7號－關於外商投資支付機構有關事宜公告》) ([PBOC Announcement [2018] No. 7]) issued by the PBOC on March 19, 2018 and became effective on the same date, an overseas institution proposing to provide electronic payment services for domestic transactions and cross-border transactions of domestic entities in the PRC shall establish a foreign investment enterprise in the PRC, and obtain a payment business permit in accordance with the criteria and procedures stipulated in relevant regulations. A foreign-invested payment institution shall possess a secured and standardized business system and a disaster recovery system in the PRC which can complete payment transactions independently. The storage, processing and analysis of personal information and financial information collected and generated in the PRC shall be carried out in China. Where it is necessary to transmit such information to overseas for the purpose of processing cross-border transactions, the transmission shall comply with the provisions of laws, administrative regulations and the relevant regulatory authorities, the payment institution shall require the overseas entities to perform the corresponding information confidentiality obligations, and the consent of the owners of personal information is required. The Corporate governance, daily operation, risk management, fund processing, deposit of provisions, contingency arrangements of foreign-invested payment institutions shall comply with the regulatory requirements of the PBOC for non-bank payment institutions. PBOC Announcement [2018] No. 7 only contains the general requirements for new applications for Payment License by foreign institutions, but does not announce any specific requirements and implementation measures regarding the change of domestic institutions that have obtained Payment License to become foreign-invested payment institutions.

Regulations on Network Payment

Pursuant to the Administrative Measures on Network Payments by Non-bank Payment Institutions (《非銀行支付機構網絡支付業務管理辦法》) (the [PBOC Announcement [2015] No. 43]) issued by the PBOC on December 28, 2015 and became effective on July 1, 2016, network payment services refer to the monetary funds transfer services provided by the payment institution when the payee or payer, through computers and mobile terminals, etc., remotely initiates payment instructions relying on public network information system, with no interaction between the payer's electronic devices and the payee's specific personal devices.

With regard to risk management and protection of clients' rights and interests, payment institutions shall, according to the customers' risk rating, transaction validation mode, transaction channel, transaction terminal or type of interface, transaction type, transaction amount, transaction time and merchant category, etc., establish the transaction risk management system and the transaction monitoring system and take timely measures, such as investigation and verification, delay of settlement and termination of services, to crack down on transactions suspected to be fraud, cashing out, money laundering, illegal financing, and terrorist financing, etc. The PBOC Announcement [2015] No. 43 further stipulates that payment institutions shall establish a sound risk reserve system and transaction compensation system, and shall protect the legitimate rights and interests of the client by making timely, full advance compensation for any and all capital losses which cannot be effectively proved being caused by the client; moreover, in accordance with the provisions of the PBOC on client information protection, effective client information protection measures and risk control mechanisms shall be established to protect client information.

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Pursuant to the Notice on the Transfer of the Network Payment Business of Non-bank Payment Institutions from the Direct-Connection Mode to the NetsUnion Platform (《關於將非銀行支付機構網絡支付業務由直連模式遷移至網聯平台處理的通知》) issued by the Payment and Settlement Department of the PBOC on August 4, 2017, starting from June 30, 2018, the network payment business of non-bank payment institutions involving bank accounts shall be processed through the “network payment and clearing platform for non-bank payment institutions” constructed by the Payment and Clearing Association of China under the guidance of the PBOC.

Regulations on Prepaid Card Business

On September 27, 2012, the PBOC issued the Administrative Measures for Prepaid Card Business of Payment Institutions (《支付機構預付卡業務管理辦法》) (the PBOC Announcement [2012] No. 12), which became effective on November 1, 2012. Prepaid cards referred to in PBOC Announcement [2012] No. 12 refer to the prepaid value issued by the card issuing institutions in a specific vehicle and form, which can be used to purchase goods or services outside the issuing institutions; Payment institutions refer to card issuing institutions which have obtained the Payment License and has been approved to conduct business of prepaid card issuance and acceptance and the acceptance institutions approved to handle the prepaid card acceptance business. According to these Measures, payment institutions shall engage in prepaid card business in strict accordance with the business types and coverage approved in their Payment License, and are not allowed to engage in prepaid card business in provinces (autonomous regions, municipalities directly under the Central Government, and municipalities with independent planning status) where provincial branches have not been established. Card issuing institutions shall have and independently operate an independent and secure prepaid card core business processing system within the territory of the PRC, establish an emergency response mechanism for unexpected events, and ensure the timeliness, accuracy, and security of prepaid card business processing. The prepaid card core business processing system includes but is not limited to the card issuing system, accounting host system, card management system, and customer information management system. Card issuing institutions shall provide acceptance services for the prepaid cards they issue, and the number of merchants they independently expand, contract with, and manage shall account for at least 70% of the number of all merchants that accept the prepaid card. Card issuing institutions and acceptance institutions shall have and independently operate an independent and secure prepaid card acceptance system within the territory of the PRC, establish an emergency response mechanism for unexpected events, and ensure the timeliness, accuracy, and security of prepaid card business processing. Card issuing institutions and acceptance institutions shall establish merchant information management systems and business risk prevention and control systems, respectively. Acceptance institutions are not allowed to store any prepaid card information unrelated to acceptance business in any form.

On September 23, 2020, the Payment and Clearing Association of China issued the Guidelines on Risk Prevention for Prepaid Card Business of Non-Bank Payment Institutions (《非銀行支付機構預付卡業務風險防範指引》), which came into effect on November 1, 2020, according to which, prepaid card organizations carrying out prepaid card QR payment business shall be in strict compliance with the type of business and geographical area as approved by the PBOC. Technical means are required to confirm that customers are within the approved geographical area, and prepaid card organizations shall not engage in

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prepaid card business beyond such area with the help of QR code technology. Prepaid card organizations that are not authorized to handle network payment business shall not engage in network payment business in disguise through QR code technology.

Regulations on Bankcard Acquiring Business

According to the Administrative Measures on Bankcard Acquiring Services (《銀行卡收單業務管理辦法》) (PBOC Announcement [2013] No. 9) issued by the PBOC on July 5, 2013, which took effect on the same day, acquirers shall conduct real-name management of the merchants. Local business and management shall be carried out for acquiring business of entity merchants, acquiring services shall be provided through bankcard acquirers or their branches in the provincial (district or city) domain where the merchant and its branches are located. No business shall be carried out on a cross-provincial (district or city) domain. The acceptance terminal (network payment interface) provided by the bankcard acquirers to its franchised merchants shall comply with the technical standards promulgated by the State and the financial industry as well as the relevant requirements on information security management. The non-bank payment institutions shall conduct the fund settlement for merchants according to the agreed time limit and shall not intercept or misappropriate the funds to be settled of a merchant or cardholder. The non-bank payment institutions shall coordinate with the issuing bank and shall assist with the risk warning investigation issued by the bankcard clearing institutions. The bankcard acquirers shall strictly manage outsourcing business, and perform the obligation to keep the account information confidential.

The PBOC issued the Notice on the Management of Bankcard Acquiring Outsourcing (《關於加強銀行卡收單業務外包管理的通知》) (Yin Fa [2015] No. 199) on June 28, 2015, which took effect on the same date. The notice defines the outsourcing limit of acquiring business, stipulating that, the verification of merchant qualification, execution of acceptance agreement, transaction processing of acquiring services, fund settlement, risk monitoring, the acceptance of generation and management of terminal secret keys, and error and disputes settlement, shall not be outsourced.

According to the Administrative Measures for the Filing of Acquiring Outsourced Service Providers (Trial) (《收單外包服務機構備案管理辦法(試行)》) issued by the Payment and Clearing Association of China and effective on August 27, 2020, service providers that have carried out or plan to carry out acquiring outsourcing services should apply for filing with the Payment and Clearing Association of China.

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Regulations on Agency Collection Service

According to the Notice by the People’s Bank of China of Regulating Agency Collection Services (《中國人民銀行關於規範代收業務的通知》) issued by the PBOC on October 26, 2020, and effective from April 26, 2021, “agency collection services” mean the payment services that a payee entrusts a collection agency with deduction of funds from the payer’s account at the payer’s bank of deposit to the payee based on the agreed frequency, amount and other conditions with consent of the payer, for which the payer’s bank of deposit no longer confirms on transaction basis with the payer. Payment institutions that have obtained a network payment business license can provide agency collection services for network merchants, and payment institutions that have obtained a bankcard acquiring business license can provide agency collection services for entities merchants. If the payer and payee, payer and payer’s bank of deposit, and payee and collection agency sign separate agency collection service agreements, the payer’s bank of deposit can support the payer (the collection agency may do so based on the payee’s authorization) in handling fee payment, credit card repayments, and other businesses through agency collection services. Where the collection agency handles fund collection, credit card and loan repayments, and other businesses for the payee through agency collection services, and it involves in fund transfer between payment accounts and bank accounts, such collection agency shall comply with the relevant provisions of the PBOC Announcement [2015] No. 43 that bank accounts and payment accounts shall be owned by the same client.

Regulations on the Management of Client Reserve Funds

According to the Non-bank Payment Institutions Regulations, the reserve fund refers to the prepaid monetary funds that non-bank payment institutions receive from users for the purpose of payment business. Non-bank payment institutions shall transfer the reserve fund based on the payment instructions initiated by users, except in any cases where the users’ reserve fund has been legally frozen or seized and deducted. Non-bank payment institutions shall not, in any form, embezzle, appropriate or borrow reserve fund, or use reserve fund to provide guarantees for themselves or others. The ratio of its net assets to the average daily balance of its reserve fund shall comply with the requirements of the PBOC. Non-bank payment institutions shall deposit the reserve fund in the PBOC or a commercial bank that meets the requirements of the PBOC. No entity or individual shall apply for the reserved funds accounts of the non-bank payment institutions to be frozen or to be subject to enforcement, unless otherwise prescribed by laws. The Implementing Rules for Non-bank Payment Institutions Regulations stipulate that the minimum net asset requirement for non-bank payment institutions is determined with excess regressive method based on the average daily balance of reserve funds. According to the Administrative Measures on Depository of Client Reserve Funds of Non-bank Payment Institutions (《非銀行支付機構客戶備付金存管辦法》) ([Decree [2021] No. 1 of PBOC]) issued by the PBOC on January 19, 2021, which became effective on March 1, 2021, a non-bank payment institution shall deposit the client reserve funds received directly and in full into the PBOC or qualified commercial banks. Client reserve funds received directly by a non-bank payment institution for issuing prepaid cards or recharging prepaid cards should be uniformly deposited into a dedicated deposit account for prepaid card reserves and then transferred to a centralized reserve fund depository account. The Decree [2021] No. 1 of PBOC also strictly regulates the deposit, accumulation, use, transfer and other depository activities of the client reserve funds.

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Regulations on Anti-Money Laundering and Anti-Terrorism Financing

Pursuant to the Anti-Money Laundering Law of the People’s Republic of China (《中華人民共和國反洗錢法》) issued by the Standing Committee of the National People’s Congress (“NPCSC”) on October 31, 2006, amended on November 8, 2024, and become effective on January 1, 2025, specific non-financial institutions that are required to fulfill their anti-money laundering obligations shall, in accordance with the law, take preventive and control measures, establish and improve the internal control system of anti-money laundering, and perform their anti-money laundering obligations such as customer due diligence, retention of customer identification information and transaction records, the reporting of large-value transactions and suspicious transactions, and special preventive measures for anti-money laundering. According to the Non-bank Payment Institutions Regulations, the non-bank payment institutions shall comply with regulations on anti-money laundering and counter-terrorism financing, anti-telecommunications and Internet frauds, prevention and handling of illegal fund-raising and curbing gambling, and take necessary measures to prevent illegal and criminal activities.

Pursuant to the Measures for Anti-Money Laundering and Anti-Terrorism Financing of Payment Institutions (《支付機構反洗錢和反恐怖融資管理辦法》) (Yin Fa [2012] No. 54) issued by the PBOC on March 5, 2012 and became effective on the same date, payment institutions that have obtained a Payment License shall fulfill their obligations in respect of anti-money laundering and anti-terrorism financing in accordance with the law, mainly including client identification, client identification information and transaction record-keeping, suspicious transaction report, anti-money laundering and anti-terrorism financing surveys, etc.

Pursuant to the Management Measure on Large and Suspicious Transactions Reporting for Financial Institutions (《金融機構大額交易和可疑交易報告管理辦法》) (PBOC Decree [2016] No. 3) issued by the PBOC on December 28, 2016, latest amended on July 26, 2018 and became effective on the same date, payment institutions shall fulfill their obligations to report large-value and suspicious transactions, and formulate an internal management system and operating procedures for large-value and suspicious transaction reporting in order to establish and improve large-value transaction and suspicious transaction monitoring systems.

Regulations on Detection and Authentication Management of Payment Business System

Pursuant to the Regulations on Inspection and Verification of Non-financial Institutions Payment Service Business System (《非金融機構支付服務業務系統檢測認證管理規定》) (PBOC Announcement [2011] No. 14) issued by the PBOC on June 16, 2011, which became effective on the same date, payment institutions shall, based on the requirements of their payment business development and security management, conduct technical standard compliance and security testing and certification of their payment processing systems, network communication systems, and dedicated machine rooms accommodating these systems at least once every three years; the PBOC is responsible for the approval and management of inspection and qualification verification.

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Regulations on QR Payment Business Standard

According to the Rules for the QR Payment Business Standard (Trial) (《條碼支付業務規範(試行)》) (Yin Fa [2017] No. 296) issued by the PBOC on December 25, 2017 and became effective on April 1, 2018, the QR payment business refers to business activities where banking financial institutions or non-bank payment institutions apply QR technologies to realize the transfer of monetary funds between the payers and payees, including payment code scanning and receipt code scanning. These rules provides that a non-bank payment institution which conducts QR payment business shall obtain the relevant license as required and conduct the business in a standard manner in accordance with the corresponding administrative measures.

Regulations on Payment Settlement Business of Fund Sales

Pursuant to the Securities Investment Fund Law of the PRC (2015 Revision) (《中華人民共和國證券投資基金法(2015修正)》) issued by the NPCSC on April 24, 2015 and came into effect on the same day, organizations engaged in fund services such as sales payment business of public equity funds shall register or file in accordance with the provisions of the securities regulatory authorities under the State Council.

Pursuant to the Measures for the Supervision and Administration of Sales Institutions of Publicly Offered Securities Investment Funds (《公開募集證券投資基金銷售機構監督管理辦法》) issued by the CSRC on August 28, 2020 and implemented on October 1, 2020, fund sales payment institutions are entrusted by fund sales institutions to provide settlement and transfer services for fund sales. For payment business for fund sales, fund sales institutions shall engage commercial banks or payment institutions that (i) have effective risk control systems and safe and efficient information systems in place for handling payment business; (ii) obtained the qualification of fund sales business and the Payment License, respectively; (iii) had not subject to criminal punishment or major administrative punishment in the last three years; major administrative supervision measures in the last year; and are not in rectification period due to major violations or being investigated by authorities for suspected major violations; (iv) meet other conditions prescribed by the CSRC. Payment institutions engaged in fund sales payment business shall be filed with the CSRC.

According to the Regulations on the Implementation of the Measures for the Supervision and Administration of Sales Institutions of Publicly Offered Securities Funds (《關於實施〈公開募集證券投資基金銷售機構監督管理辦法〉的規定》) issued by the CSRC on August 28, 2020 and implemented on October 1, 2020, payment institutions engaging in the fund sales payment business shall file with the CSRC and submit relevant materials within 10 working days from the date of the first signing of the service agreement. Payment institution shall file with the CSRC within 10 working days where it subsequently changes its company name, registered capital, form of organization, place of business, undergoes a merger or demerger, adjusts its business type or scope, or is subject to criminal investigation or detection or criminal penalties, administrative penalties, administrative regulatory measures, self-disciplinary supervisory measures for its business practice, or any other significant event. The payment institution shall submit annual filing materials to the CSRC before April 30 each year, which shall include the basic profile and operation status of the payment institution, the implementation and changes of the internal management system, and other matters as stipulated by the CSRC.

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REGULATIONS RELATING TO INFORMATION SECURITY AND DATA PRIVACY

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), which was issued by the National People’s Congress on May 28, 2020 and came into effect on January 1, 2021, the personal information of natural persons shall be protected by law. Any organization or individual that needs to obtain personal information of others shall obtain it in accordance with the law and ensure the security of the information, and shall not unlawfully collect, use, process or transmit the personal information of others, or unlawfully trade in, make available or disclose the personal information of others.

Pursuant to the Data Security Law of the PRC (《中華人民共和國數據安全法》), which was issued by the NPCSC on June 10, 2021 and came into effect on September 1, 2021, any organization or individual that conducts data processing activities shall comply with laws and regulations, respect social morality and ethics, uphold business ethics and professional ethics, be honest and trustworthy, fulfill data security protection obligations, and assume social responsibilities, and shall not endanger national security or public interests, or harm the legitimate rights and interests of individuals or organizations. Any organization or individual collecting data shall do so in a lawful and legitimate manner, and shall not steal or obtain data in other illegal means.

Pursuant to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) issued by the NPCSC on November 7, 2016 and came into effect on June 1, 2017, personal information and important data collected and generated by operators of critical information infrastructures in their operations within the territory of China shall be stored within China. Network operators shall follow the principles of legality, legitimacy and necessity in the collection and use of personal information, disclose the rules for collection and use, make clear the purpose, manner and scope of collection and use of information, and obtain the consent of the person from whom the information is collected. Network operators shall not collect personal information that is unrelated to the services they provide, shall not collect or use personal information in violation of the provisions of laws and administrative regulations and the agreements between the two parties, and shall handle personal information kept by them in accordance with the provisions of laws and administrative regulations and the agreements with users. Network operators shall not disclose, distort or damage personal information they collected, and shall not provide personal information to others without the consent of the person whose information is collected. Except where it has been processed in such a manner that it is impossible to distinguish a particular individual and it cannot be retraced. Where an individual discovers that a network operator has collected or used his/her personal information in violation of the provisions of laws or administrative regulations or the agreement between the two parties; and where he/she discovers that his/her personal information has been collected or stored incorrectly, he/she shall have the right to request the network operator to delete or rectify it. The network operator shall take measures to delete or correct related information. No individual or organization may steal or obtain personal information by other illegal means, or illegally sell or provide personal information to others.

Pursuant to the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) issued by the NPCSC on August 20, 2021 and came into effect on November 1, 2021, the handling of personal information shall be for a definite and reasonable purpose, be directly related to the purpose of handling and shall be conducted in a way that minimizes the impact on personal rights and interests.

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The collection of personal information shall be limited to the minimum scope for achieving the purpose of handling and it is not allowed to excessively collect personal information. A personal information processor shall be responsible for its handling of personal information and take necessary measures to ensure the security of the personal information handled. No organization or individual may illegally collect, use, process or transmit the personal information of others, illegally buy or sell, provide or make public the personal information of others, or engage in the handling of personal information that endangers the national security or public interests.

According to Regulations of the People’s Republic of China on Protecting the Safety of Computer Information Systems (《中華人民共和國計算機信息系統安全保護條例》) issued by the State Council on February 18, 1994, and amended on January 8, 2011, the protection of the safety of computer information systems shall safeguard the safety of the computer and its related and complementary sets of equipment and facilities (including network), the safety of operating environment, the safety of information, and the normal performance of computer functions so as to maintain the safe operation of computer information systems. The safety grading protection shall be enforced in respect of computer information systems. The standards for safety grades and specific measures for safety grading protection shall be formulated by the Ministry of Public Security in conjunction with other relevant departments.

Pursuant to the Non-bank Payment Institutions Regulations, where the related network facilities and information systems of non-bank payment institutions are determined to be critical information infrastructure according to law or the amount of personal information processed reaches the thresholds stipulated by the national cyberspace administration, the processing of personal information collected and generated in the PRC shall be carried out in China. Where it is necessary to transmit such information overseas, the transmission shall comply with the provisions of laws, administrative regulations and relevant national rules and obtain the separate consent of users. The outbound security management of important data collected and generated by non-bank payment institutions in the PRC shall be implemented in accordance with laws, administrative regulations and relevant national rules.

On September 24, 2024, the CAC announced the Cyber Data Security Regulations (《網絡數據安全管理條例》), which will be effective on January 1, 2025, stipulates that cyber data processors who carry out cyber data processing activities that affect or may affect national security shall undergo national security review in accordance with relevant state regulations. In addition, the Cyber Data Security Regulations also regulate other specific requirements in respect of the data processing activities conducted by data processors in the view of personal data protection, important data safety, data cross-broader safety management and obligations of network platform service provider. Cyber data processors shall identify and declare important data in accordance with relevant state regulations. For data confirmed as important data, relevant regions and departments shall promptly inform cyber data processors or make public announcements. Cyber data processors shall fulfill their responsibilities for cyber data security protection. Processors of important data shall designate persons in charge of cyber data security and establish cyber data security management institutions. Cyber data security management institutions shall fulfill their responsibilities for cyber data security protection. Processors of important data shall conduct risk assessments of their cyber data processing activities on an annual basis and submit risk assessment reports to relevant competent departments at or above the provincial level. Relevant competent departments shall promptly notify the cyberspace affairs departments and public security organs at the same level. Network

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platform service providers shall clarify the cyber data security protection obligations of third-party product and service providers accessing their platforms through platform rules or contracts, and urge third-party product and service providers to strengthen cyber data security management. When network platform service providers push information to individuals through automated decision-making methods, they shall set up easy-to-understand, accessible and operable personalized recommendation closing options, and provide users with functions such as refusing to receive pushed information and deleting user tags for their personal characteristics.

Pursuant to the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Measures**”), which was jointly issued by the CAC, the NDRC, the MIIT, and ten other PRC regulatory authorities on December 28, 2021 and came into effect on February 15, 2022, any procurement of network products and services by critical information infrastructure operators or any data processing activities by network platform operators, that affect or may affect national security, shall be subject to cybersecurity review. Any network platforms operators in possession of the personal information of more than one million users that is going to be listed abroad shall file for cybersecurity review with the Cybersecurity Review Office. On March 21, 2024, according to our PRC Data Compliance Legal Advisor’s communication and consultation with the person in charge of the cybersecurity review of the China Cybersecurity Review, Certification and Market Regulation Big Data Center, (i) the listing in Hong Kong is not considered as overseas listing. Therefore, the issuer’s listing in Hong Kong is not subject to the requirement for proactive declaration for cybersecurity review stipulated in Article 7 of the Measures for Cybersecurity Review, which applies to network platform operators in possession of personal information of more than one million users that is going to be listed abroad; (ii) if the issuer is not identified as a critical information infrastructure operator, the issuer is not required to declare the cybersecurity review according to Article 2 of the Measures for Cybersecurity Review; and (iii) The Cyber Data Security Regulations (《網絡數據安全管理條例》) provides a general rule that “cyber data processors conducting network data processing activities that may affect or potentially affect national security shall conduct national security reviews in accordance with national regulations”, which does not explicitly mandate cybersecurity review declaration for data processors whose listing in Hong Kong affects or may affect national security. Based on (i) the Company has not been identified as a critical information infrastructure operator, and (ii) the Company is not an network platform operator in possession of personal information of more than one million users that is going to be listed abroad, our PRC Data Compliance Legal Advisor is of the opinion that the Company is not subject to the proactive declaration of cybersecurity review in connection of this [REDACTED] according to Article 7 of the Measures for Cybersecurity Review. According to Article 16, Paragraph 1 of the Measures for Cybersecurity Review, if the members of the cybersecurity review mechanism believe that online products and services as well as data processing activities affect or may affect national security, the Cybersecurity Review Office shall conduct a review in accordance with the provisions of the Measures for Cybersecurity Review after approval by the Central Cyberspace Affairs Commission. Based on our PRC Data Compliance Legal Advisor’s communication and consultation with the person in charge of the cybersecurity review of the China Cybersecurity Review, Certification and Market Regulation Big Data Center on March 21, 2024, the Company does not have the obligation to proactively declare the cybersecurity review under such regulations in the absence of notification from the regulatory authorities.

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As of the latest practicable date, we had not received any notice that it is required to apply for a cybersecurity review, had not received any notice that its data processing activity affects or may affect national security. We are not required to apply for a cybersecurity review for the [REDACTED] in accordance with Paragraph 1 of Article 16 of the Cybersecurity Review Measures.

Pursuant to the Measures for Security Assessment Measures for Cross-border Data Transfers (《數據出境安全評估辦法》) issued by CAC on July 7, 2022 and came into effect as of September 1, 2022, to provide data abroad under any of the following circumstances, a data processor shall declare security assessment for cross-border data transfers to the Cyberspace Administration of China through the local cyberspace administration at the provincial level: (i) where a data processor provides critical data abroad; (ii) where a key information infrastructure operator or a data processor processing the personal information of more than one million people provides personal information abroad; (iii) where a data processor has provided personal information of 100,000 people or sensitive personal information of 10,000 people in total abroad since January 1 of the previous year; (iv) other circumstances prescribed by the Cyberspace Administration of China for which declaration for security assessment for cross-border data transfers is required.

The CAC issued the Measures on the Standard Contract for Cross-border Transfer of Personal Information (《個人信息出境標準合同辦法》) on February 22, 2023, which became effective on June 1, 2023 and applies to the provision of personal information by personal information processors to overseas recipients by concluding a standard contract for outbound transfer of personal information (hereinafter referred to as “**Standard Contracts**”). Personal information processors shall file with the local counterpart of the CAC within ten business days from the effective date of the Standard Contracts. The filing materials shall include: (1) the Standard Contracts; and (2) the personal information protection impact assessment report.

According to the Regulations on Promoting and Regulating Cross-Border Data Transfer (《促進和規範數據跨境流動規定》) (Decree No. 16 of the Cyberspace Administration of China) issued by the CAC and effective on March 22, 2024, data processors other than operators of critical information infrastructure who provide important data overseas or to who have provided personal information (excluding sensitive personal information) of more than one million people or sensitive personal information of more than 10,000 people cumulatively since January 1 of that year should declare security assessment for cross-border data transfers, except for those specified in Articles 3, 4, 5, and 6 of the regulations. According to the relevant provisions of Articles 2 and 3 of the regulations, data collected and generated in activities such as international trade and provided overseas, excluding personal information or important data, are exempt from the requirement of declaring security assessment for cross-border data transfers, establishing the standard contract for cross-border transfer of personal information, and obtaining personal information protection certification. Additionally, if such data has not been notified or publicly disclosed by relevant departments or regions as important data, data processors do not need to declare security assessment for

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cross-border data transfers. According to Articles 4, 5, and 6 of the regulations, the following are the main exemptions from the requirement to declare security assessment for cross-border data transfers, establish the standard contract for cross-border transfer of personal information, and obtain personal information protection certification: (i) providing personal information collected and generated overseas by data processors overseas after being processed in China without involving domestic personal information or important data; (ii) providing personal information overseas is necessary for entering into or performing contracts in which individuals are parties, such as cross-border shopping, cross-border mailing, cross-border remittances, cross-border payments, cross-border account opening, air ticket and hotel reservations, visa processing, exam services, etc.; (iii) providing employee personal information overseas is necessary for implementation of cross-border human resources management in accordance with legally formulated labor rules and regulations and legally signed collective contracts; (iv) providing personal information overseas is necessary to protect the life, health, and property safety of natural persons in emergency situations; (v) data processors other than operators of critical information infrastructure have provided personal information (excluding sensitive personal information) overseas of less than 100,000 people cumulatively since January 1 of the that year; (vi) data processors in pilot free trade zones provide data overseas outside the Negative List formulated, approved, and filed by the pilot free trade zone in accordance with the law. In case of any inconsistency between the Regulations and other regulations such as the Security Assessment Measures for Cross-border Data Transfers (《數據出境安全評估辦法》) (Decree No. 11 of the Cyberspace Administration of China) issued on July 7, 2022 and the Measures on the Standard Contract for Cross-border Transfer of Personal Information (《個人信息出境標準合同辦法》) (Decree No. 13 of the Cyberspace Administration of China) issued on February 22, 2023, the Regulations shall prevail.

The Supreme People’s Court and the Supreme People’s Procuratorate released the Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information (《關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) on May 8, 2017. The Interpretations clarify several concepts regarding the crime of “infringement of citizens’ personal information” stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including “citizens’ personal information”, “violation of relevant national provisions”, “provision of citizens’ personal information” and “illegally obtaining any citizen’s personal information by other methods.” In addition, the Interpretations specify the sentencing standards for determining “serious circumstances” and “particularly serious circumstances” of this crime.

According to the Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》) issued by the Ministry of Public Security of the PRC, the State Secrecy Bureau, the State Cipher Code Administration and the Information Office of the State Council on June 22, 2007 and become effective on the same day, entities operating and/or using information systems shall protect information systems pursuant to these Measures and the relevant technical norms, and the state departments in charge of the supervision and administration of information security shall supervise and administer the graded protection work conducted by these entities.

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In addition to the above-mentioned laws and regulations, the PRC government authorities have issued other laws and regulations with respect to internet information security and protection of personal information from any abuse or unauthorized disclosure, and which includes but not limited to the Decision on Maintaining Internet Security (《關於維護互聯網安全的決定》), the Provisions on the Technical Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》), the Several Provisions on Regulating the Order of the Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》), the Provisions on the Administration of Information Services for Mobile Applications (《移動互聯網應用程序信息服務管理規定》), the Interim Provisions on the Management of the Presetting and Distribution of Application on Intelligent Mobile Terminal (《移動智能終端應用軟件預置和分發管理暫行規定》), Announcement of Launching Special Crackdown Against Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), and the Method for Identifying the Illegal Collection and Use of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》).

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

Pursuant to the Regulations on Telecommunications of the PRC (《中華人民共和國電信條例》), which was issued by the State Council on September 25, 2000, most recently amended on February 6, 2016 and came into force on the same date, telecommunication service providers are required to obtain an operating license before commencing operations. The Regulations categorize telecommunications services into telecommunications services and value-added telecommunications services. Pursuant to the Catalogue of Telecommunications Services (《電信業務分類目錄》), which was issued by the Ministry of Information Industry of the PRC (the predecessor of MIIT) on February 21, 2003 and last amended by MIIT on June 6, 2019, information services provided via fixed network, mobile network and the Internet fall within value-added telecommunications services.

The Measures for the Administration of Telecommunication Business Permit (《電信業務經營許可管理辦法》) (“**Measures for Telecommunication Permit**”) was issued by MIIT on July 3, 2017 and came into effect on September 1, 2017, according to which, there are two types of telecommunications business licenses available to Chinese operators, namely the telecommunications business license and the value-added telecommunications business license. The operation scope of the license will detail the permitted activities of the enterprise to which it was granted. Approved telecommunications service operators are required to operate their business in accordance with the specific scope as set out in the value-added telecommunications business license. In addition, value-added telecommunications business licensees are required to obtain approval from the original licensing authority for any changes in shareholders.

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Pursuant to the Measures for the Administration of Internet Information Services (《互聯網信息服務管理辦法》), which was issued by the State Council on September 25, 2000, last amended on December 6, 2024 and became effective on January 20, 2025, operators of operational Internet information services are required to apply for a value-added telecommunication service license (ICP license) with a business scope of Internet information services from the telecommunication administrative authorities or the competent department of information industry under the State Council to engage in any operational Internet information service business in China. The provision of information services through mobile applications shall comply with the laws and regulations on the management of Internet information services in China. Producing, copying, publishing or disseminating Internet contents prohibited by laws or administrative regulations will result in the Chinese government shutting down the ICP licensee’s website or even revoking its ICP license. Operational Internet information service operators are also required to supervise their websites not to post or publish any prohibited contents, and to immediately remove such contents from their websites, keep relevant records, and report to the relevant government authorities.

REGULATIONS RELATING TO FOREIGN INVESTMENT ACCESS

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which was issued by the NPCSC on March 15, 2019 and came into effect as of January 1, 2020, the State adopts the management system of pre-establishment national treatment and Negative List for foreign investment. No foreign investors shall be allowed to invest in the industries where foreign investment is prohibited by the Negative List; while for the industries restricted by the Negative List, the conditions stipulated in the Negative List shall be arrived before the foreign investments concerned. As for industries not included in the Negative List, the foreign and domestic investments shall be treated as the same in terms of administration.

Pursuant to the Implementing Regulations of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which was issued by the State Council on December 26, 2019 and came into effect on January 1, 2020, to invest in a field where foreign investment is restricted as specified in the Negative List, foreign investors shall comply with the special administrative measures for restrictive access such as requirements for shareholding ratios and senior executives as specified in the Negative List. The registration of foreign-funded enterprises shall be conducted in accordance with the law by the market regulatory department of the State Council or the market regulatory departments of the local people’s governments authorized by it. Foreign investors or foreign-funded enterprises shall report investment information to the commerce departments through the enterprise registration system and the enterprise credit information publicity system.

Pursuant to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which was jointly issued by the Ministry of Commerce and the State Administration for Market Regulation on December 30, 2019 and came into effect on January 1, 2020, foreign investors carrying out investment activities directly or indirectly within China shall report investment information to the competent commerce authorities in accordance with the Measures. The investment information includes initial report, change report, cancellation report, annual report, etc.

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Pursuant to the Catalogue of Industries for Encouraged Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》), which was issued by the NDRC and the Ministry of Commerce of the PRC (the “**MOFCOM**”) on October 26, 2022 and became effective on January 1, 2023, and the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List**”), which was issued on September 6, 2024 and came into force on November 1, 2024, foreign investment industries are categorized into encouraged foreign investment industries, restricted foreign investment industries and prohibited foreign investment industries. The percentage of foreign investment in value-added telecommunications business (excluding e-commerce, domestic multi-party telecommunications, store-and-forward business and call centers) shall not exceed 50%.

Pursuant to the Regulations on the Administration of Foreign-invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which was issued by the State Council on December 11, 2001, became effective on January 1, 2002, last amended on March 29, 2022, the proportion of foreign investment in a foreign-invested telecommunications enterprise engaged in value-added telecommunication services shall not ultimately exceed 50%, unless otherwise provided by the State.

Pursuant to the Circular of the Ministry of Information Industry on Strengthening the Management of Foreign Investors in Value-added Telecommunications Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》), which was issued by the Ministry of Information Industry of the PRC (dissolved) on July 13, 2006 and became effective on the same date, domestic telecommunication companies are not allowed to lease, transfer or resell in disguise telecommunication business operation licenses to foreign investors in any form, nor are they allowed to provide foreign investors with resources, sites, facilities and other conditions in any form for foreign investors that illegally operate telecommunications business in China.

REGULATIONS RELATING TO OVERSEAS INVESTMENT

According to the Administrative Measures of Overseas Investments 2014 (《境外投資管理辦法(2014)》), which was promulgated by MOFCOM on September 6, 2014 and came into effect on October 6, 2014, where an enterprise’s overseas investment involves sensitive countries and regions or sensitive industries, it shall be subject to approval. Overseas investment of enterprises under other circumstances shall be subject to record. The MOFCOM and the provincial commerce authorities shall regulate the overseas investment of enterprises through the Overseas Investment Management System and issue a Certificate of Overseas Investment by Enterprises (《企業境外投資證書》) (the “**Certificate**”) to the enterprises that have obtained the record or approval. As the certification of record or approval of an enterprise’s overseas investment, the Certificate shall be issued according to the final destination of the overseas investment.

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According to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》), which was issued by NDRC on December 26, 2017 and came into effect on March 1, 2018, approval procedures shall apply to sensitive projects carried out by the investor directly or through its controlled overseas enterprise; record-filing procedure shall apply to any non-sensitive projects carried out by the investor directly, namely, non-sensitive projects involving investors’ direct contribution of assets or equity or provision of financing or security. For the purposes of these Measures, non-sensitive project refers to a project involving neither any sensitive country or region nor any sensitive industry. An investor may consult the approval or record authority on whether a project to be conducted is subject to approval or record, and the latter shall inform the investor in a timely manner.

According to the List of Sensitive Sectors for Overseas Investment (2018 Version) (《境外投資敏感行業目錄(2018年版)》), which was promulgated by NDRC on January 31, 2018 and came into effect on March 1, 2018, the sensitive sectors for overseas investment include development, manufacturing and maintenance of arms, cross-border water resources development and utilization, news and media, real estate, hotels, cinemas, entertainment, sports clubs, and equity funds or investment vehicles that are established overseas and have no specific industrial projects.

According to the Code of Conduct for the Operation of Overseas Investments by Private Enterprises (《民營企業境外投資經營行為規範》), which was jointly promulgated by NDRC, MOFCOM and other authorities on December 6, 2017, private enterprises carrying out investment and operation activities shall comply with the laws and regulations of China and the host countries (regions), comply with the relevant treaty and other international practices, conduct operations according to law and grow in compliance with the rules, and strengthen the prevention and control of overseas risks.

REGULATIONS RELATING TO PRODUCT QUALITY AND CONSUMER PROTECTION

According to the Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》), which was issued by the NPCSC on February 22, 1993 and last amended on December 29, 2018 and came into effect on the same day, products offered for sale must satisfy relevant quality and safety standards. Enterprises may not produce or sell counterfeit products in any fashion, including forging brand labels or giving false information regarding a product’s manufacturer. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer. Similarly, if the manufacturer pays compensation and it is the seller that should bear the liability, the manufacturer has a right of recourse against the seller.

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According to the Implementation Measures of the PBOC for Protecting Rights and Interests of Financial Consumers (《中國人民銀行金融消費者權益保護實施辦法》), which was issued by the PBOC on September 15, 2020 and came into effect on November 1, 2020, non-bank payment institutions shall adopt a series of internal management measures to protect the rights and interests of financial consumers, including optimizing rules and policies as well as establishing a sound working mechanism and formulating an effective internal control system for protecting the rights and interests of financial consumers. The regulations also require non-bank payment institutions to protect the personal financial information of consumers, including personal identification information, property information, account information, credit information, financial transaction information and other information that reflects the conditions of a particular individual.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark Law

According to the Trademark Law of the PRC (《中華人民共和國商標法》), which was issued by the NPCSC on August 23, 1982 and last amended on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which was issued by the State Council on August 3, 2002 and last amended on April 29, 2014 and came into effect on May 1, 2014, registered trademarks including commodity trademarks, service marks, collective trademarks and certification marks, refer to trademarks that have been approved and registered by the Trademark Office. The trademark registrants shall enjoy the exclusive right to use the marks, which shall be protected by the law. Any natural person, legal person or other organization, intending to acquire the exclusive right to use a trademark for his/her/its goods or service in the course of their manufacturing and business activities, shall file an application for the registration of the trademark with the Trademark Office. The Trademark Law of the PRC has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark by improper means that has already been used by another party and has already gained a sufficient degree of reputation through such party’s use.

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Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》), which was issued by the NPCSC on March 12, 1984 and last amended on October 17, 2020 and came into effect on June 1, 2021, and the Implementation Regulations for the Patent Law of the PRC (《中華人民共和國專利法實施細則》), which was issued by the State Council on June 15, 2001 and last amended on December 11, 2023 and came into effect on January 20, 2024, “invention-creations” shall mean invention patent, utility model patent or design patent. An invention or utility model for which a patent is granted shall be novel, inventive and practically applicable. Invention patent shall be valid for 20 years from the date of application, utility model patent shall be valid for 10 years from the date of application and design patent shall be valid for 15 years from the date of application. The patent right entitled to its owner shall be protected by the laws. Any entity or individual shall not exploit a patent without the authorization of the patentee.

Copyright Law

According to the Copyright Law of the PRC (《中華人民共和國著作權法》), which was issued by the NPCSC on September 7, 1990 and last amended on November 11, 2020 and came into effect on June 1, 2021, works of PRC citizens, legal persons or other organizations, whether published or not, shall enjoy copyright in accordance with the Copyright Law. Such works include written works, oral works, musical, dramatic, opera, dance, acrobatic artistic works, fine arts, architectural works, photographic works, audio-visual works, graphic works and model works, computer software and other intellectual achievements which comply with the characteristics of the works. Except as otherwise provided in the Copyright Law, copying, distributing, performing, screening, broadcasting, compiling, or distributing through the information network the work to the public, without the permission of the copyright owner, shall constitute infringement of copyright.

According to the Measures for Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was issued by the National Copyright Administration on February 20, 2002 and came into effect on the same day, and the Computer Software Protection Regulations (《計算機軟件保護條例》), which was issued by the State Council on December 20, 2001 and last amended on January 30, 2013 and came into effect on March 1, 2013, software developed by PRC citizens, legal persons or other organizations shall be automatically protected immediately after its development, whether published or not. Software copyright may be registered with the software registration agency appointed by the State Council copyright administrative department.

Domain Name

According to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), which was issued by MIIT on August 24, 2017 and came into effect on November 1, 2017, the MIIT is in charge of the administration of PRC internet domain names and the domain name services follow a “first come, first file” principle. Use of domain name by providers of Internet information services shall comply with laws and regulations and the relevant provisions of the telecommunication administrative authorities and shall not use a domain name to carry out illegal acts.

REGULATORY OVERVIEW

REGULATIONS RELATING TO TAX

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”), which was issued by the National People’s Congress on March 16, 2007 and last amended on December 29, 2018, and the Rules for the Implementation of the Enterprise Income Tax Law of the PRC, which was issued on December 6, 2007, last amended on December 6, 2024 and came into effect on January 20, 2025, taxpayers shall consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established within the PRC in accordance with laws, or that are established in accordance with the laws of foreign countries or regions but whose de facto administration is conducted within the PRC. Non-resident enterprises are defined as enterprises that are established in accordance with the laws of foreign countries or regions and whose de facto administration is conducted outside the PRC, but have established institutions or premises within the PRC, or have no such established institutions or premises but have income generated from the PRC. A uniform enterprise income tax rate of 25% is applicable to both foreign-invested enterprises and domestic enterprises under the EIT Law, except for tax incentives granted to specialized industries and projects. However, where non-resident enterprises do not have established institutions or premises within the PRC, or where they have established institutions or premises within the PRC but there is no actual relationship between the income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from the PRC.

Pursuant to the Announcement of the State Administration of Taxation on Certain Issues Concerning the Enterprise Income Tax on Indirect Transfer of Properties by Non-Resident Enterprises (SAT Announcement 7 of 2015) (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》(國家稅務總局公告2015年第7號)) issued by the State Administration of Taxation (the “SAT”) in February 2015, where a non-resident enterprise circumvents its enterprise income tax obligations by implementing such an arrangement as does not have a reasonable commercial purpose to “indirectly transfer” equity interests or other properties of a PRC resident enterprise, the indirect transfer transaction in question shall be recognized as a direct transfer of equity interests or other properties of a PRC resident enterprise. Accordingly, income arising from indirect transfers may be subject to PRC enterprise income tax. The Announcement provides for two exemptions: (I) where a non-resident enterprise buys and sells equity interests in the same listed foreign enterprise in the open market and obtains income from the indirect transfer of PRC taxable property; and (II) where a non-resident enterprise directly holds and transfers PRC taxable property, the income from the transfer of such property is exempt from enterprise income tax in China in accordance with the provisions of the applicable tax treaty or arrangement.

Pursuant to the Announcement of the State Administration of Taxation on Issues Concerning Withholding and Payment at Source of Income Tax for Non-Resident Enterprises (the SAT Announcement 37 of 2017) (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) issued by the SAT on October 17, 2017 and amended on June 15, 2018, certain previous provisions of the SAT Announcement 7 of 2015 have been replaced or supplemented. Circular 37 issued by the SAT aims to clarify certain issues concerning the implementation of SAT Announcement 7 of 2015 and other regulations, including the definition of income from equity transfers and the tax base, the exchange rate for calculating the

REGULATORY OVERVIEW

withholding amount and the date on which the withholding obligation occurs. In particular, the SAT Announcement 37 of 2017 provides that if a non-Chinese resident enterprise withholds transfer income from its sources by way of installments, it may first treat the installments as recovery of the cost of the previous investment; and after recovering all of the costs, the tax shall be calculated and withhold on behalf of the enterprise.

According to the EIT Law, the EIT tax rate of a high and new technology enterprise is 15%. Pursuant to the Administrative Measures for Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) issued by the Ministry of Science and Technology of the People’s Republic of China, the Ministry of Finance of the PRC (the “MOF”) and the SAT on January 29, 2016 and effective on January 1, 2016, the certificate of a high and new technology enterprise is valid for three years. An enterprise shall, after being accredited as a high-tech enterprise, fill out and submit the statements on annual conditions concerning the intellectual property rights, scientific and technical personnel, expenses on research and development and operating income for the previous year on the “website for the administration of accreditation of high-tech enterprises.” Besides, when any high-tech enterprise has changed its name or has undergone any major change concerning the accreditation conditions (such as a division, merger, reorganization or change of business), it shall report the change to the accreditation institution within three months upon occurrence of the change. If the high-tech enterprise is qualified upon review by the accreditation institution, it continues to have the qualification as a high-tech enterprise, and in case of change in the name, a new accreditation certificate will be issued with the number and term of validity remaining the same as the previous certificate; otherwise, the qualification as a high-tech enterprise shall be canceled as of the year of change in the name or any other condition.

Value-added Tax

Pursuant to the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), which was issued by the SCNPC on December 25, 2024 and will come into effect on January 1, 2026, all entities and individuals that engage in the sale of goods, services, intangible assets or immovable properties and the importation of goods within the territory of the People’s Republic of China, are taxpayers of the VAT, and shall pay the VAT in accordance with the provisions of this Law.

Pursuant to the Interim Value-Added Tax Regulations of the PRC (《中華人民共和國增值稅暫行條例》), which was issued by the State Council on December 13, 1993, last amended on November 19, 2017 and implemented on November 19, 2017, and the Implementing Rules of the Interim Value-Added Tax Regulations of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was issued by the MOF on December 25, 1993, last amended on October 28, 2011 and came into effect on November 1, 2011, such entities and individuals as sell goods or provide processing, repairing and replacement services, and sell services, intangible assets, real estate as well as import goods within the PRC are taxpayers of value-added tax (“VAT”) and are required to pay tax on such added value as is generated in the course of production, sale or service.

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According to the Notice of Comprehensive Roll-out of the Pilot Collection of Value-Added Tax in lieu of Business Tax (《關於全面推開營業稅改征增值稅試點的通知》) issued by the MOF and the SAT on March 23, 2016 and last amended on April 1, 2019, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016, and all business taxpayers engaged in sectors such as construction, real estate, financial and lifestyle services shall be included in the scope of the pilot program, where payment of VAT shall be made instead of business tax. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment of Value-added Tax Rates, which was issued on April 4, 2018 and became effective on May 1, 2018, the tax rates applied to taxpayers engaged in VAT-taxable sales or imports of goods were adjusted from previous 17% and 11% to 16% and 10%, respectively.

Under the Announcement on Relevant Policies on Deepening Value-added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was issued on March 20, 2019 and became effective on April 1, 2019, the tax rates applied to general taxpayers engaged in VAT-taxable sales or imports of goods were adjusted from previous 16% and 10% to 10% and 9%, respectively.

REGULATIONS RELATING TO LABOR SECURITY IN CHINA

The Labor Law and the Labor Contract Law

The Labor Law of the PRC (《中華人民共和國勞動法》) issued by the NPCSC on July 5, 1994, last amended on December 29, 2018, and effective on the same date, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the NPCSC on June 29, 2007, last amended on December 28, 2012, and effective on July 1, 2013, and the Regulations for the Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008, and effective on the same date together provide for labor contracts, settlement of labor disputes, labor compensation, occupational safety and medical security, social insurance and welfare, etc. A written labor contract shall be concluded and entered into by and between a worker and an employer to establish a labor relationship. The wages paid by the employer to the worker shall not be less than the local minimum wage. Violations of the above labor and social security laws may incur fines and other administrative liabilities, and in serious cases, criminal liabilities.

Social Insurance

Under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the NPCSC on October 28, 2010 and last amended on December 29, 2018 and the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》) which was issued on January 22, 1999 and amended by the State Council and came into effect as of March 24, 2019, the employer and/or the employee (as the case may be) shall register for social insurance with the competent authorities and contribute the prescribed amount to the social insurance fund, including the basic pension fund, the unemployment insurance fund, the basic medical insurance fund, the work-related injury insurance fund, and the maternity insurance fund. Where an employer fails to register for social insurance, the administrative authorities of social insurance shall order it to make corrections within a certain period of time; where it fails to do so, the employer shall be fined at a rate of not less than one

REGULATORY OVERVIEW

time and not more than three times the amount of social insurance premiums payable, and the persons in charge of the employer directly responsible for the employer and other persons directly responsible for the employer shall be fined at a rate of not less than RMB500 and not more than RMB3,000. Where an employer fails to pay social insurance premiums in full and on time, the social insurance premium collection agency shall order the payment or make up of such premiums within a specified period of time, and shall impose a overdue fine of 0.05% of the unpaid premium on a daily basis from the date of the non-payment of such premiums; where such payment is not made after the expiry of that period of time, the relevant administrative authorities shall impose a fine of not less than one time and not more than three times the amount of the unpaid premium.

Housing Provident Fund

Under the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, an employer shall register with the Housing Provident Fund Management Center for the payment of housing fund deposits and go through the procedures of setting up housing fund accounts for the employer’s employees. Where an employer fails to register for housing fund contributions or fails to go through the procedures of setting up housing fund accounts for its own employees, it shall be ordered by the Housing Provident Fund Management Center to do so within a specified period of time; where it fails to do so, it shall be subject to a fine of not less than RMB10,000 and not more than RMB50,000. Where an employer fails to pay or underpays the housing provident fund, the Housing Provident Fund Management Center shall order the employer to pay the fund within a specified period of time; where the employer fails to pay the fund within a certain period of time, the employer may apply to the people’s court for compulsory execution.

REGULATIONS RELATING TO FOREIGN EXCHANGE

Domestic institutions or individuals that directly invest abroad or engage in the overseas issuance or trading of securities or derivative products shall apply for registration in accordance with the provisions of the regulation issued by the foreign exchange administration department administration department under the State Council pursuant to the Regulations for Foreign Exchange Administration of the People’s Republic of China (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996, and last amended and came into effect on August 5, 2008. The approval or filing procedures shall be done before the foreign exchange registration where the provision of the relevant laws or regulations issued by the State requires prior approval or filing by or with the relevant competent authorities. Non-financial institutions operating foreign exchange settlement and sales business shall be approved by the foreign exchange administration department under the State Council, and the specific administrative measures shall be formulated and enacted separately by the foreign exchange administration department under the State Council.

REGULATORY OVERVIEW

The SAFE and its sub-offices/branch offices and the foreign exchange administration shall supervise, administer and inspect the business registration, opening and use of accounts, cross-border income and expenditure, and fund exchange involved in the overseas listing of domestic companies under the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), which was promulgated by the SAFE on December 26, 2014 and came into effect on the same date. Domestic companies shall register for the overseas listing with the required materials at the foreign exchange bureau located at its registered address within 15 working days after the conclusion of the overseas listing and issuance. Funds raised by domestic companies through overseas listings can be repatriated to China or kept overseas. The use of funds should be consistent with the relevant contents listed in the document or the company’s bond issuance document, shareholder circulars, board of directors’ or shareholders’ meeting resolutions, and other publicly disclosed documents.

Banks directly audit and handle foreign exchange registrations for domestic direct investments and foreign exchange registrations for offshore direct investments, and the SAFE and its branches exercise indirect supervision over the foreign exchange registrations for direct investments through the banks pursuant to the Circular on Further Simplification and Improvement of the Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) issued by the SAFE on February 13, 2015, effective on June 1, 2015 and partially repealed on December 30, 2019.

The SAFE issued the Notice by the State Administration of Foreign Exchange on Reforming the Mode of Management of Settlement of Foreign Exchange Capital of Foreign-Funded Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (“**Huifa [2015] No. 19**”) on March 30, 2015, which became effective on June 1, 2015. The SAFE further issued Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (“**Huifa [2016] No. 16**”), Notice by the State Administration of Foreign Exchange of Repealing or Invalidating Five Regulatory Documents on Foreign Exchange Administration and Clauses of Seven Regulatory Documents on Foreign Exchange Administration (《國家外匯管理局關於廢止和失效5件外匯管理規範性文件及7件外匯管理規範性文件條款的通知》) and Notice by the State Administration of Foreign Exchange of Abolishing and Voiding 15 Foreign Exchange Management Normative Documents and Adjusting 14 Clauses of Foreign Exchange Management Normative Documents (《國家外匯管理局關於廢止和失效15件外匯管理規範性文件及調整14件外匯管理規範性文件條款的通知》), revising certain provisions of Huifa [2015] No. 19. According to the forgoing provisions, the foreign exchange capital of foreign-invested enterprises and the RMB funds obtained from their settlement are subject to supervision. The foreign exchange income from capital account of domestic institutions and the RMB funds obtained from their settlement can be used for regular expenses within their business scope and for capital expenses permitted by laws and regulations. The foreign exchange income from capital account of domestic institutions and the RMB funds obtained from their settlement(1) shall not be directly or indirectly used for expenditures beyond the scope of their business operations or prohibited by national laws and regulations; (2) shall not be directly or indirectly used for securities investment or other investment and financial management except for bank guaranteed products, unless otherwise expressly provided; (3) shall not be used for lending to non-related enterprises except where expressly permitted by the business scope; and (4) shall not be used for the construction or purchase of non-self-use real estate (excluding real estate enterprises).

REGULATORY OVERVIEW

On the premise of ensuring that the use of funds is truly compliant and complies with the current administrative regulations on the use of income from capital accounts, eligible enterprises are allowed to use capital account income, such as capital funds, foreign debts and overseas listings, for domestic payments without having to provide proof of authenticity of each and every payment to the bank in advance under the Circular on Optimizing Foreign Exchange Administration to Support Foreign-related Business Development (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020. The handling bank shall conduct spot checks afterwards according to relevant requirements.

Payment institutions engaging in foreign exchange business shall exercise due diligence in verifying the authenticity and legitimacy of the identity of market transaction subject under the Measures for the Administration of Foreign Exchange Business of Payment Institutions (《支付機構外匯業務管理辦法》) (Huifa [2019] No. 13) issued by the SAFE on April 29, 2019. The foreign exchange business for the subject of market transactions shall have an authentic and legal transaction basis and comply with the relevant laws and regulations issued by the State, and shall not provide services for illegal transactions in any form. Payment institutions shall review the authenticity and legality of transactions and their consistency with foreign exchange operations.

Under the conditions of meeting the requirements of customer identification, transaction electronic information collection and authenticity audit, banks may apply for providing settlement and sale of foreign exchange and related fund collection and payment services for cross-border e-commerce and foreign trade integrated services market entities based on transaction electronic information in accordance with Huifa [2019] No. 13, and payment institutions may provide cross-border e-commerce market entities with settlement and sale of foreign exchange and related fund collection and payment services based on transaction electronic information under the Circular of the State Administration of Foreign Exchange on Supporting the Development of New Trade Businesses (《國家外匯管理局關於支持貿易新業態發展的通知》), which was promulgated by the SAFE on May 20, 2020 and amended on December 4, 2023.

Domestic banks may cooperate with non-bank payment institutions that are licensed to engage in Internet payment business in accordance with the law and legally qualified clearing house to provide cross-border RMB settlement services under the current account for the main players of the market transactions and individuals pursuant to the Circular of the People’s Bank of China on Supporting Cross-border RMB Settlement for New Businesses in Foreign Trade (《中國人民銀行關於支持外貿新業態跨境人民幣結算的通知》), which was promulgated by the People’s Bank of China on June 16, 2022 and came into effect on July 21, 2022.

REGULATIONS RELATING TO THE OVERSEAS ISSUANCE AND LISTING OF SECURITIES BY DOMESTIC ENTERPRISES

The regulatory regime for direct or indirect overseas issuance of securities or listing and trading of securities thereof (“**Overseas Issuance and Listing**”) by enterprises in the PRC has been completely reformed into a filing system pursuant to the Trial Measures for the Administration of Overseas Issuance of Securities and Listing of Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines (“**Trial Measures for Overseas Listing**”), which was promulgated by the CSRC on February 17, 2023 and implemented on March 31, 2023.

REGULATORY OVERVIEW

Under the Trial Measures for Overseas Listing, in case of direct overseas issuance and listing of a domestic enterprise, the issuer shall file a record with the CSRC; in case of indirect overseas issuance and listing of a domestic enterprise, the issuer shall designate one of its major domestic operating entities as the responsible person in the territory and file a record with the CSRC. Under any of the following circumstances, it may not be issued and listed overseas: (i) listed financing is explicitly prohibited by laws, administrative regulations or relevant provisions issued by the State; (ii) the relevant competent authorities under the State Council has examined and determined according to law that the overseas offering and listing may endanger national security; (iii) a domestic enterprise or its controlling shareholder or de facto controller has committed a criminal crime of corruption, bribery, embezzlement or misappropriation of property or disrupting the order of the socialist market economy within the last three years; (iv) the domestic enterprise is under investigation for suspected crimes or major violations of laws or regulations, and no clear conclusion has yet been reached; (v) there is a major dispute over the ownership of the equity held by the controlling shareholder or the shareholder controlled by the controlling shareholder or the de facto controller.

Where a domestic enterprise provides or publicly discloses documents or materials involving State secrets or work secrets of State organs or through its overseas listing entities to relevant securities companies, securities service agencies, overseas regulatory agencies and other entities and individuals, the enterprise in question shall report to the competent authorities with the power of examination and approval for approval according to law, and report to the confidentiality administrative authorities at the same level for record under the Regulations on Strengthening the Confidentiality and Archives Management Related to the Overseas Issuance and Listing of Securities by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which was promulgated by the CSRC and other relevant government authorities on February 24, 2023 and implemented on March 31, 2023. Where a domestic enterprise provides accounting archives or copies of accounting archives to relevant securities companies, securities service agencies, overseas regulatory agencies and other entities and individuals, the enterprise in question shall perform corresponding procedures in accordance with the provisions of the relevant laws and regulations issued by the State. The working papers formed in China by such securities companies and securities service agencies as provide relevant services for overseas issuance of domestic enterprises shall be stored in China. Those who need to leave the country shall go through the examination and approval procedures in accordance with the provisions of the relevant laws and regulations issued by the State.

According to the Guidelines for the Application for the “Full Circulation” of the Domestic Unlisted Shares of H-Share Companies (《H股公司境內未上市股份申請「全流通」業務指引》) (the “**Full Circulation Guidelines**”) issued by the CSRC on November 14, 2019, and amended on August 10, 2023, “full circulation” means listing and circulation of domestic unlisted shares of H-share companies (including unlisted domestic shares held by domestic shareholders before overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders) on the SEHK. Subject to compliance with relevant laws and regulations, as well as policies related to state-owned asset management, foreign investment, and industry regulation, shareholders of domestic unlisted shares can autonomously negotiate and determine the quantity and proportion of shares to be applied for circulation, and entrust H-share companies to file with the CSRC. A domestic joint stock limited company whose shares are unlisted may simultaneously file with the CSRC for “full circulation” at the time of initial public offering and listing overseas.

REGULATORY OVERVIEW

China Securities Depository and Clearing Corporation Limited (“CSDC”) and the Shenzhen Stock Exchange (SZSE) jointly issued the Implementation Rules for H-share Full Circulation Business (《H股「全流通」業務實施細則》) (the “**Full Circulation Implementation Rules**”) on December 31, 2019, which became effective on the same day. The Full Circulation Implementation Rules apply to various businesses related to full circulation, including cross-border registration, custody and holding details maintenance, transaction entrustment and instruction transmission, settlement, settlement participant management, and nominal holder services.

CSDC Shenzhen Branch issued the Guidelines for H-share Full Circulation Business (《H股「全流通」業務指南》) on September 20, 2024, which became effective on September 23, 2024, clarifying matters related to business preparation, cross-border registration, overseas centralized custody of shares, and initial maintenance of domestic holding details for participating in H-share full circulation.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to 2011, when our Company was established by Fuiou Group in Shanghai, the PRC. Fuiou Group is a comprehensive financial technology group company. See “Relationship with Our Controlling Shareholder” for further details. In May 2017, our Company was converted into a joint stock limited company. After over a decade of operations, we have developed into an integrated digital payment technology platform in China across multiple domains providing multichannel payment services as well as technology, management, and value-added services to empower customers of all sizes and various industries under different commercial scenarios.

OUR MILESTONES

The following is a summary of our Group’s key business development milestones:

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| 2011 | <ul style="list-style-type: none">• Our Company was established.• We obtained the Payment Business Permit to conduct bank card acquiring services and internet payment business. |
| 2012 | <ul style="list-style-type: none">• We were recognized as a Shanghai High-tech Enterprise. |
| 2013 | <ul style="list-style-type: none">• We became an acquiring institution member of the China UnionPay.• We were among the first to obtain the permit for pilot cross-border foreign exchange payment business granted by the SAFE.• We became a member of the Payment and Clearing Association of China (中國支付清算協會). |
| 2014 | <ul style="list-style-type: none">• We registered <i>Rich Boss</i> (富掌柜) as our brand for the integrated digital payment services.• We were authorized as a sales and settlement of fund institution by CSRC and launched our fund payment services. |
| 2015 | <ul style="list-style-type: none">• We launched the system for our integrated digital payment services, to provide clients with a one-stop platform to receive and process payments.• We became a council member of Shanghai Payment and Clearing Association (上海市支付清算協會).• We became a member of the Association of Shanghai Internet Finance Industry (上海市互聯網金融行業協會). |

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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| 2016 | <ul style="list-style-type: none">• Our Payment Business Permit was successfully renewed, with our licensed business scope expanded to cover prepaid card issuance and acceptance.• We became a member of both the National Internet Finance Association of China (中國互聯網金融協會) and the Shanghai Finance Information Association (上海金融信息行業協會).• We were recognized as a Key Software Enterprise under the National Planning Layout (國家規劃佈局內重點軟件企業). |
| 2017 | <ul style="list-style-type: none">• Our Company was converted from a limited liability company into a joint stock limited company.• We won the 2017 Industry Progress Award in the Shanghai Finance Information Industry (2017年度上海金融信息行業行業進步獎) awarded by Shanghai Finance Information Association (上海金融信息行業協會). |
| 2018 | <ul style="list-style-type: none">• We obtained earmarked funding support from the 2018 Software and Integrated Circuit Industry Development Special Fund of Shanghai (2018年度上海市軟件與集成電路產業發展專項資金).• We ranked among 2018 Top 100 Software Enterprises in Shanghai (2018上海軟件企業規模百強).• We were consecutively recognized as a Shanghai High-tech Enterprise. |
| 2019 | <ul style="list-style-type: none">• We were among the first to obtain the approval of the SAFE to carry out foreign exchange payment business.• We had served over 1 million merchants accumulatively.• We won the award of 1688 Cross-border Exclusive Excellent Service Provider (1688跨境專供優秀服務商) in the Alibaba Cross-border Summit (阿里巴巴跨境峰會).• We were recognized as a 2019 Science and Technology Little Giant of Shanghai (2019年度上海市科技小巨人企業). |

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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| 2020 | <ul style="list-style-type: none"> • We launched a total of 14 industry-specific solutions on <i>Rich Boss</i>, contracted with a number of joint-stock commercial banks to provide financial technology system service solutions. • <i>Fuiou School Master</i> (富友學園通) won the Award of Smart Education of Wechat Payment industry Application Competition (微信支付行業產品應用大賽智慧教育大獎). • <i>Rich Boss</i> won the Award of Annual Outstanding Cash Register Product of Jiemian-Cailian Press (介面•財聯社年度卓越收銀產品獎). • <i>Rich Boss</i> won the Award of Gold Strategic Partner (金牌戰略合作夥伴) of the second China Catering Chain Franchise Annual Summit (第二屆中國餐飲連鎖加盟年度峰會). • We won the Award of Best Scene (最佳場景獎) of Shanghai Information Consumption Festival (上海信息消費節). |
| 2021 | <ul style="list-style-type: none"> • Our Payment Business Permit was successfully renewed. |
| 2022 | <ul style="list-style-type: none"> • We launched the Account Operation Services (富管家) system, focusing on fund management services. |
| 2023 | <ul style="list-style-type: none"> • We became a standing council member of the Payment and Clearing Association of China. • We completed connection of our payment network to major card organizations, such as UnionPay, NetsUnion, American Express, VISA, Mastercard, JCB, Discover. |
| 2024 | <ul style="list-style-type: none"> • We became one of the first members of the card organization Mastercard NetsUnion, and launched the acceptance service for the brand new bank card product “China Mastercard”. • We won the Award of Outstanding Contribution for Optimizing Payment Services and Innovation (優化支付服務、創新突出貢獻獎) by American Express. • We were selected as one of Top 100 Enterprises in Software and IT Services Industry in Shanghai for 2024 (2024年度上海市軟件和信息技術服務業百強) by Shanghai Economic and Information Technology Commission (上海經濟和信息化委員會). • We were recognized as the 2024 Shanghai Software Core Competitiveness Enterprise (Scale Type) (2024上海軟件核心競爭力企業(規模型)) by the Shanghai Software Industry Association (上海市軟件行業協會). |

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

During the Track Record Period and as of the Latest Practicable Date, our business has been conducted through our Company, its branches and subsidiaries. The following sets forth information about our major subsidiaries:

Name	Place of incorporation	Date of incorporation	Issued Share Capital/ Registered Capital	Shareholding	Principal business
Glofortune Company Limited (智富恒通有限公司)	Hong Kong	April 8, 2014	HKD59,064,000	100%	Provision of cross-border digital payment services
Shanghai Mingxian	PRC	April 26, 2019	RMB40,000,000	90%	Provision of digital commerce-enabling solutions

CORPORATE DEVELOPMENT

The following sets forth the corporate history and major shareholding changes of our Company.

Establishment and Initial Shareholding Changes

On July 25, 2011, our predecessor Shanghai Fuiou Payment Service Corp., Ltd. (上海富友支付服務有限公司) was established as a limited liability company under the laws of the PRC. Upon incorporation, it was wholly owned by Fuiou Group with a registered capital of RMB100,000,000. As of the Latest Practicable Date, Fuiou Group was owned by 60 shareholders, each holding less than 10% therein, details of which are set out in the note to “– Corporate and Shareholding Structure” below.

In February 2017, Fuiou Group transferred approximately 3.51% of the registered capital of our Company to Shanghai Tianzi at a consideration of RMB4.56 million. The consideration was determined after arms’ length negotiations between the parties with reference to the appraised net asset value of our Company at the relevant time and had been fully settled. Shanghai Tianzi is a limited partnership established in the PRC controlled by Mr. Fu Xiaobing, our executive Director and the general manager of our Company, as the general partner. As of the Latest Practicable Date, Shanghai Tianzi was also a 5.4% shareholder of Fuiou Group, and it was owned as to approximately (i) 13.39% by Mr. Wu Wei, [a former director of our Company], (ii) 11.03% by Mr. Fu Xiaobing, our executive Director and the general manager of our Company, (iii) 1.86% by Ms. Zhang Yiqun, our executive Director and chairperson of the Board, (iv) 3.04% by Mr. Huang Fei, the general manager of Shanghai Mingxian and (v) 70.68% by 46 limited partners, each an Independent Third Party holding less than 10% therein.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Conversion into a Joint Stock Limited Company

Pursuant to Shareholders’ resolutions dated April 20, 2017, and a promoters’ agreement dated April 20, 2017 entered into by all the then Shareholders, all promoters of our Company (being all the then Shareholders) approved the conversion of the net assets value of our Company as of February 28, 2017 into 100,000,000 Shares with a nominal value of RMB1.00 each, with the remaining RMB48,547,001.51 recorded as capital reserves of our Company. On May 16, 2017, our Company was converted into a joint stock company with limited liability and was renamed Shanghai Fuiou Payment Service Corp., Ltd. (上海富友支付服務股份有限公司). The table below shows our shareholding structure immediately after the conversion into a joint stock company:

Shareholder	Number of Shares	Percentage of shareholding (approximate)
Fuiou Group	96,488,960	96.49%
Shanghai Tianzi	3,511,040	3.51%
Total.	100,000,000	100%

Subsequent Shareholding Changes

In December 2017, the registered capital of our Company was increased in the amount of RMB77,252,585 through the issuance and allotment of 77,252,585 Shares to 63 shareholders of Fuiou Group (all being the then shareholders of Fuiou Group) in proportion to their respective shareholdings in Fuiou Group at that time, at a total consideration of RMB100,428,361. The consideration was determined after arms’ length negotiations between the parties with reference to the appraised net asset value of our Company at the relevant time and had been fully settled. As a result, the registered capital of our Company was increased to RMB177,252,585, and our Company became owned as to approximately 54.44% by Fuiou Group, 1.98% by Shanghai Tianzi and 43.58% by other Shareholders (each holding less than 5% of the Company’s then registered capital).

In March 2019, the registered capital of our Company was increased in the amount of RMB182,747,415 through the issuance and allotment of 182,747,415 Shares to our then Shareholders on a pro rata basis, by capitalization of the undistributed profit of RMB126,074,606.07 and capital reserve of RMB56,672,808.93. Upon completion, the registered capital of our Company was increased to RMB360,000,000.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

After a series of transfers of minority shareholdings by our then Shareholders between March 2018 and March 2025, including the Pre-[REDACTED] Investments and the Divestment as detailed below, as of the Latest Practicable Date, our shareholding structure was as follows:

Name of Shareholder	Numbers of Shares	Percentage of shareholding
Fuiou Group	219,605,787	61.00%
Fuiou Hao ⁽¹⁾	13,168,415	3.66%
Shanghai Tianzi ⁽²⁾	7,130,922	1.98%
CAI Meizhen (蔡美珍) ⁽²⁾⁽⁴⁾	8,376,169	2.33%
YU Li (余麗) ⁽²⁾⁽³⁾	7,281,308	2.02%
WANG Minghua (王明華) ⁽²⁾⁽³⁾	6,159,226	1.71%
Tongling Jingda E-commerce Co., Ltd. (銅陵精達電子商務有限責任公司) (“ Tongling Jingda ”) ⁽²⁾⁽³⁾ . .	5,906,893	1.64%
LOU Shunming (樓順明) ⁽²⁾⁽³⁾	3,393,237	0.94%
Shenzhen Dingying Hongxiang Investment Co., Ltd. (深圳鼎盈鴻祥投資有限公司) (“ Dingying Hongxiang ”) ⁽²⁾⁽³⁾ . .	3,206,023	0.89%
NI Xiaoqiang (倪孝強) ⁽³⁾	2,000,000	0.56%
WANG Hua (王華) ⁽²⁾⁽⁵⁾	1,807,661	0.50%
TAO Weibin (陶偉斌) ⁽⁶⁾	1,643,010	0.46%
LAI Pengfei (賴鵬飛) ⁽²⁾⁽³⁾	1,457,773	0.40%
Jinggangshan Tomorrow Eternal Consulting Management Partnership (Limited Partnership) (井岡山明天永恒諮詢管理合夥企業(有限合夥)) (“ Jinggangshan Tomorrow ”) ⁽³⁾	1,330,000	0.37%
WANG Jisheng (王紀生) ⁽³⁾	1,000,000	0.28%
HU Qiang (胡強) ⁽³⁾	800,000	0.22%
FAN Guangshou (范廣壽) ⁽³⁾	500,000	0.14%
ZHENG Xiaoping (鄭小平) ⁽³⁾	500,000	0.14%
JIN Wei (金偉) ⁽³⁾	430,000	0.12%
CHU Yue (諸越) ⁽³⁾	370,000	0.10%
WANG Cheng (王成) ⁽³⁾	300,000	0.08%
Other Shareholders ⁽⁷⁾	73,633,576	20.45%
Total	360,000,000	100%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

- (1) Fuiou Hao is a limited partnership established in the PRC. As of the Latest Practicable Date, it was owned as to approximately (i) 16.89% by Dr. Chen Jian as its general partner, (ii) 40.50% by Shanghai Tianzhifu, an employee incentive platform of our Company, and 37.89% by Shanghai Tianyou, an employee incentive platform of Fuiou Group, each a limited partner of Fuiou Hao controlled by Dr. Chen Jian as the general partner thereof, and (iii) 4.72% by Mr. Fu Xiaobing as its limited partner. Dr. Chen Jian and Mr. Fu Xiaobing are our Directors.
- (2) Each of such Shareholders is also a minority shareholder of Fuiou Group.
- (3) See “– Pre-[REDACTED] Investments – Information of the Pre-[REDACTED] Investors” below.
- (4) Ms. Cai Meizhen is the spouse of Dr. Chen Jian.
- (5) Ms. Wang Hua is the sister of the mother of Ms. Cai Meizhen.
- (6) Mr. Tao Weibin is a Supervisor.
- (7) Other Shareholders include 47 Shareholders, each holding between approximately 0.02% to 2.93% of our equity interests. See “Share Capital – Our Share Capital – Upon the Completion of the [REDACTED]” for details of other Shareholders. To the best knowledge of our Directors, all of such other Shareholders are Independent Third Parties. The relationships among such Shareholders are set out as follows:
 - (i) 46 Shareholders are also minority shareholders of Fuiou Group;
 - (ii) Mr. Zhu Lingjun (朱靈君) and Ms. Zhu Xuelin (朱雪林) are spouses;
 - (iii) Mr. Yu Sheng (余盛) is the brother of Ms. Yu Li, and Mr. Li Jian (李健) is the nephew of Ms. Yu Li and Mr. Yu Sheng; and
 - (iv) Shanghai Jinxian Network Technology Co., Ltd. (上海金線網路技術有限公司), a limited liability company established in the PRC, was owned as to 34% by Liao Minqun (廖敏群) as of the Latest Practicable Date.

GUIDANCE RECEIVED FOR HISTORICAL A-SHARE LISTING ATTEMPT

To explore the opportunity of establishing a capital market platform in the A-share market in the PRC, we had historically sought guidance on proposed application for A-share listing in the PRC. In May 2018, we entered into a guidance agreement with a qualified sponsor for A-share listing, which was terminated in June 2021 after arms’ length commercial negotiations between the parties. In September 2021, we entered into a guidance agreement with another qualified sponsor for A-share listing and terminated the agreement in February 2024 to instead to pursue a [REDACTED] in Hong Kong.

Since the execution of the above guidance agreements and up to the Latest Practicable Date, the Company had not submitted any A-share listing application to the CSRC and had not received any comments or inquiries by the CSRC (including its local offices). To the best of our Directors’ knowledge and belief, our Directors are not aware of any other matters relating to the guidance mentioned above that are required to be brought to the attention of the Stock Exchange or the investors.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Based on the due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors’ attention that would reasonably cause the Joint Sponsors to disagree with the Directors’ view above.

PRE-[REDACTED] INVESTMENTS

We have engaged in several Pre-[REDACTED] Investments with our Pre-[REDACTED] Investors through transfers of minority shareholdings by our then Shareholders.

In March 2018, Ningbo Meishan Free Trade Port Zhefu Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區哲富股權投資合夥企業(有限合夥)) (“**Ningbo Zhefu**”)⁽¹⁾ and Shanghai Qingyi Investment Center (Limited Partnership) (上海擎儀投資中心(有限合夥)) (“**Shanghai Qingyi**”) acquired from Shanghai Caizhou Enterprise Management Consulting Center (Limited Partnership) (上海財州企業管理諮詢中心(有限合夥)), 2,566,205 Shares and 2,566,206 Shares at a consideration of RMB3,336,066.5 and RMB3,336,067.8, respectively. Pursuant to a share transfer agreement entered into between HUANG Jiaming (黃加明) and each of CHEN Zhaoyang (陳兆陽) and WANG Minghua in July 2018, CHEN Zhaoyang and WANG Minghua (our then Shareholder) agreed to acquire 342,161 Shares and 165,418 Shares from HUANG Jiaming at a consideration of RMB444,809.3 and RMB215,043.4, respectively. Pursuant to a share transfer agreement entered into between Tongling Jingda and Tehua Investment Holding Co., Ltd. (特華投資控股有限公司) (“**Tehua Investment**”) in December 2018, Tongling Jingda agreed to acquire 2,908,367 Shares from Tehua Investment at a consideration of RMB3,780,877.1 (together with the above-mentioned transfers, “**2018 Share Transfers**”).

In May 2021 and November 2022, the following transfers were effected by our shareholders (referred to as “**2021 transfer**” and “**2022 transfer**”, respectively):

Transferor	Transferee	Number of shares	Consideration (RMB)
2021 Share Transfers			
Tehua Investment	Dingying Hongxiang	3,206,023	32,060,230
ZHU Zibin (朱子彬)	LOU Shunming (our then Shareholder)	1,010,642	10,106,420
Fuiou Group	Shanghai Qingyi ⁽¹⁾	13,000,000	130,000,000
	JIANG Weiqian (蔣薇茜) ⁽¹⁾	4,000,000	40,000,000
	NI Xiaoqiang	2,000,000	20,000,000
	CHEN Zhaoyang ⁽¹⁾	1,700,000	17,000,000
	Jinggangshan Tomorrow	1,330,000	13,300,000
	WANG Minghua	1,100,000	11,000,000
	WANG Jisheng	1,000,000	10,000,000
	HU Qiang	800,000	8,000,000
	ZHENG Xiaoping	500,000	5,000,000
	FAN Guangshou	500,000	5,000,000
	JIN Wei	430,000	4,300,000
	CHU Yue	370,000	3,700,000
	WANG Cheng	300,000	3,000,000

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Transferor	Transferee	Number of shares	Consideration (RMB)
2022 Share Transfers			
XU Weiping (許衛平)	WANG Minghua	3,800,000	38,000,000
	LAI Pengfei (our then Shareholder)	832,337	8,323,370
YANG Yanping (楊延平)	WANG Minghua	402,065	4,020,650

Note:

- (1) Shanghai Qingyi, Ningbo Zhefu, JIANG Weiqian and CHEN Zhaoyang have exercised the redemption right against Fuiou Group, and have ceased to be our Shareholders since March 2025. See “– Divestment by Certain Investors” below for details of the Divestment.

In September 2023, YU Li (our then Shareholder) acquired 694,929 Shares from YU Qiuyu (余秋雨) at a consideration of RMB6,949,290 (“**2023 Share Transfer**”).

Set forth below is a summary of the principal terms of the Pre-[REDACTED] Investments:

	2018 Share Transfers	2021 Share Transfers	2022 Share Transfers	2023 Share Transfer
Date of agreements	January 16, 2018 July 3, 2018 December 10, 2018	December 2020 January 2021 February 2021	August 15, 2022	September 26, 2023
Date of settlement of consideration	August 30, 2021	June 28, 2021	November 4, 2022	October 31, 2023
Number of Shares acquired⁽¹⁾	8,548,357	31,246,665	5,034,402	694,929
Consideration (in RMB)⁽¹⁾	11,113,404	312,466,650	50,344,020	6,949,290
Basis of determination of the consideration	To the best of our knowledge, the consideration was determined after commercial negotiations between the parties with reference to the initial cost of investment in our Company and our financial performance at the relevant time.	To the best of our knowledge, the consideration for the Pre-[REDACTED] Investments was determined after commercial negotiations between the parties with reference to the appraised value of our Company at the relevant time.		
Cost per Share (in RMB)	1.3	10	10	10
(Discount)/premium to the [REDACTED] (%)⁽²⁾	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

	2018 Share Transfers	2021 Share Transfers	2022 Share Transfers	2023 Share Transfer
Use of proceeds from the Pre-[REDACTED] Investments	As the Pre-[REDACTED] Investments were effected by way of transfer by our then Shareholders, no proceeds were received by our Company.			
Strategic benefits from Pre-[REDACTED] Investments	Our Directors were of the view that our Company could benefit from the Pre-[REDACTED] Investors’ knowledge and experience and their commitment to our Company as their investment demonstrates their confidence in the operations of our Group and serves as an endorsement of Company’s performance, strength and prospects.			

Note:

- (1) Taking into account the investments made by Shanghai Qingyi, Ningbo Zhefu, JIANG Weiqian and CHEN Zhaoyang who have ceased to be our Shareholders since March 2025 due to the Divestment. See “– Divestment by Certain Investors” below for details of the Divestment.
- (2) Calculated based on (i) the assumption that the [REDACTED] is HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED]) and (ii) the exchange rate as set out in “Information about this Document and the [REDACTED]”.

Special Rights of the Pre-[REDACTED] Investors

In connection with the Pre-[REDACTED] Investments, Shanghai Qingyi, Ningbo Zhefu, JIANG Weiqian, LOU Shunming, CHEN Zhaoyang, NI Xiaoqiang and Jinggangshan Tomorrow had been granted certain special rights, including, among others, redemption right, tag-along right and information right. Shanghai Qingyi, Ningbo Zhefu, JIANG Weiqian and CHEN Zhaoyang have exercised the redemption right against Fuiou Group, details of which are set out in “– Divestment by Certain Investors” below. The remaining special rights granted to (i) Shanghai Qingyi and JIANG Weiqian have ceased to be effective before submission of the [REDACTED] of the Company to the Stock Exchange and have been terminated upon full settlement of the Divestment, (ii) Ningbo Zhefu have been terminated upon full settlement of the Divestment, (iii) NI Xiaoqiang and Jinggangshan Tomorrow have been terminated before submission of the [REDACTED] of the Company to the Stock Exchange, and the special rights granted by Fuiou Group will be restored if the Company confirms in writing the termination of the [REDACTED] and (iv) LOU Shunming and CHEN Zhaoyang have been terminated before submission of the [REDACTED] of the Company to the Stock Exchange.

No special right has been granted to other Pre-[REDACTED] Investors.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Information of the Pre-[REDACTED] Investors

Dingying Hongxiang

Dingying Hongxiang is a limited liability company established in the PRC, which is mainly engaged in equity investment. As of the Latest Practicable Date, it was owned as to 90% by GUO Wenjie (郭文傑), and 10% by CUI Chen (崔晨). To the best knowledge of our Directors, Dingying Hongxiang and its ultimate beneficial owners are Independent Third Parties.

Jinggangshan Tomorrow

Jinggangshan Tomorrow is a limited partnership established in the PRC, which is mainly engaged in equity investment. Its general partner is QIU Yunming (邱允明) and it has three limited partners. As of the Latest Practicable Date, it was owned as to (i) 0.25% by QIU Yunming, (ii) 47.64% by SHEN Guofeng (沈國鋒), (iii) 37.22% by TANG Renhu (唐人虎), and (iv) 14.89% by TAO Xianfeng (陶仙峰). To the best knowledge of our Directors, Jinggangshan Tomorrow and its ultimate beneficial owners are Independent Third Parties.

Tongling Jingda

Tongling Jingda is a limited liability company established in the PRC. As of the Latest Practicable Date, it was wholly owned by Tongling Jingda Special Magnet Wire Co., Ltd. (銅陵精達特種電磁綫股份有限公司), a special magnet wire producer and an Independent Third Party whose shares are listed on the Shanghai Stock Exchange (stock code: 600577.SH).

Individual Investors

Except for the above, each of other individuals is a private individual financial investor and an Independent Third Party.

To the best knowledge of our Directors, save for shareholdings in the Company, there was no past or present relationships between the Group (including the Shareholders, Directors, senior management and/or their respective associates) and the Pre-[REDACTED] Investors as of the Latest Practicable Date.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Divestment by Certain Investors

In April 2024, Shanghai Qingyi, Ningbo Zhefu, JIANG Weiqian and CHEN Zhaoyang, our then Shareholders, (the “**Relevant Investors**”) agreed to transfer a total of 29,818,855 Shares, being the entire interest they held in our Company, to Fuiou Group (the “**Divestment**”). The consideration was determined by reference to a pre-agreed formula which takes into account the investment cost of such investors, deducting the dividends paid by our Company to such investors during the agreed period. Such consideration has been fully settled on March 10, 2025, being at least 120 clear days prior to the [REDACTED]. In respect of the Divestment by Shanghai Qingyi and JIANG Weiqian, our Company agreed to guarantee the payment obligations of Fuiou Group in the event that Fuiou Group fails to fully settle the relevant consideration by the agreed time. Upon completion of the Divestment, the Relevant Investors ceased to be our Shareholders and Fuiou Group’s shareholding in our Company increased to 61.00%.

Shanghai Qingyi is a limited partnership established in the PRC, which is mainly engaged in equity investment. It is a private equity fund managed by Shanghai Rongxi Venture Capital Management Co., Ltd. (上海融璽創業投資管理有限公司) (“**Shanghai Rongxi**”), which is ultimately controlled by FEI Yuming (費禹銘). As of the Latest Practicable Date, Shanghai Qingyi was owned as to approximately (i) 0.0065% by its general partner, Shanghai Rongxi, (ii) 28.0423%, 22.8251% and 19.7796% by three funds managed by Shanghai Rongxi, and (iii) three individual limited partners. To the best knowledge of our Directors, Shanghai Qingyi and its ultimate beneficial owners are Independent Third Parties.

Ningbo Zhefu is a limited partnership established in the PRC, which is mainly engaged in equity investment. It is a private equity fund managed by Ningbo Chisage Venture Capital Management Partnership (寧波中哲創業投資管理合夥企業(有限合夥)) (“**Ningbo Chisage**”), which is ultimately controlled by Mr. YANG Herong (楊和榮). As of the Latest Practicable Date, it was owned as to (i) 99.00% by Ningbo Meishan Free Trade Port Zhongzhe Elite Association Investment Partnership (Limited Partnership) (寧波梅山保稅港區中哲精英會投資合夥企業(有限合夥)), a private equity fund managed by Ningbo Chisage, and (ii) 1.00% by Ningbo Chisage. To the best knowledge of our Directors, Ningbo Zhefu and its ultimate beneficial owners are Independent Third Parties.

Compliance with the Pre-[REDACTED] Investment Guidance

On the basis that (i) the considerations for the Pre-[REDACTED] Investments were settled more than 28 clear days before the date of our first submission of the [REDACTED] to the Stock Exchange in relation to the [REDACTED] and the Divestment was settled at least 120 clear days prior to the [REDACTED], and (ii) the special rights granted to the relevant Pre-[REDACTED] Investors have been terminated, the Joint Sponsors are of the view that the Pre-[REDACTED] Investments and the Divestment are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

POST-TRACK RECORD PERIOD ACQUISITIONS

We propose to make a number of investments subsequent to the Track Record Period. For further details, see “Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Post-Track Record Period Acquisitions”

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

LOCK-UP PERIOD AND PUBLIC FLOAT

Pursuant to the applicable PRC law, all current Shareholders (including the Pre-[REDACTED] Investors) are subject to the relevant PRC statutory transfer restriction for a period of one year from the [REDACTED].

The [REDACTED] Domestic [REDACTED] Shares that will not be converted into H Shares, representing approximately [REDACTED]% of our total issued Shares upon the [REDACTED] (assuming the [REDACTED] is not exercised), will not be considered as part of the public float as the Domestic [REDACTED] Shares will not be converted into H Shares and will not be [REDACTED] following the completion of the [REDACTED].

Of the [REDACTED] H Shares to be converted from the Domestic [REDACTED] Shares and [REDACTED] on the Stock Exchange following the completion of the [REDACTED]:

- (a) the [REDACTED] H Shares directly held by Fuiou Hao, Shanghai Tianzi, CAI Meizhen and TAO Weibin, being the core connected persons of our Company, will not count towards the public float, representing approximately [REDACTED]% of our total issued Shares upon the [REDACTED] (assuming the [REDACTED] is not exercised); and
- (b) except as stated above, all the [REDACTED] H Shares directly held by other Shareholders will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules, representing approximately [REDACTED]% of our total issued Shares upon the [REDACTED] (assuming the [REDACTED] is not exercised).

Taking into consideration of the H Shares to be issued pursuant to the [REDACTED], the public float of our Company will be approximately [REDACTED]% upon the [REDACTED] (assuming the [REDACTED] is not exercised).

MAJOR ACQUISITIONS AND DISPOSALS

We had no major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

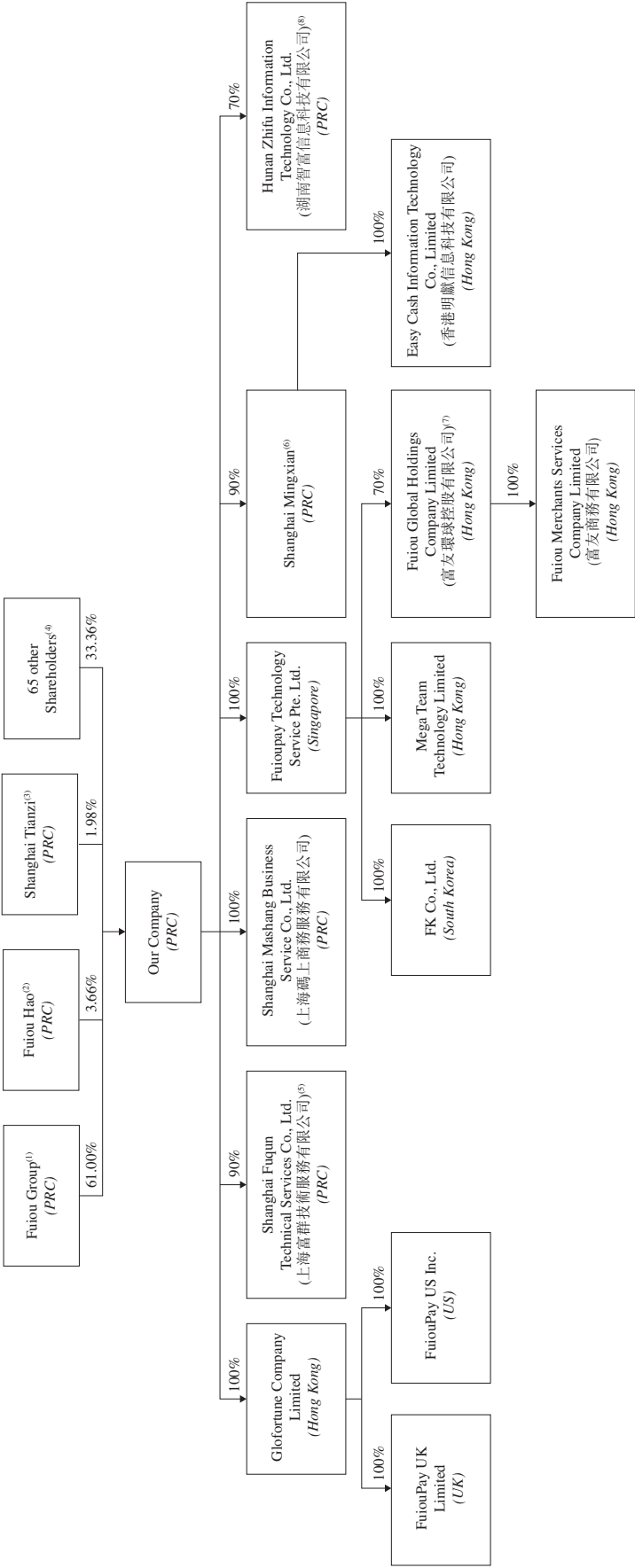
PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors have confirmed that save for the Divestment, we have legally and properly completed, settled, and obtained the requisite legal approvals and completed requisite governmental registrations with relevant governmental authorities in the PRC with respect to all the aforesaid capital increases and equity transfers.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets out the shareholding and corporate structure immediately prior to the completion of the [REDACTED]:



HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

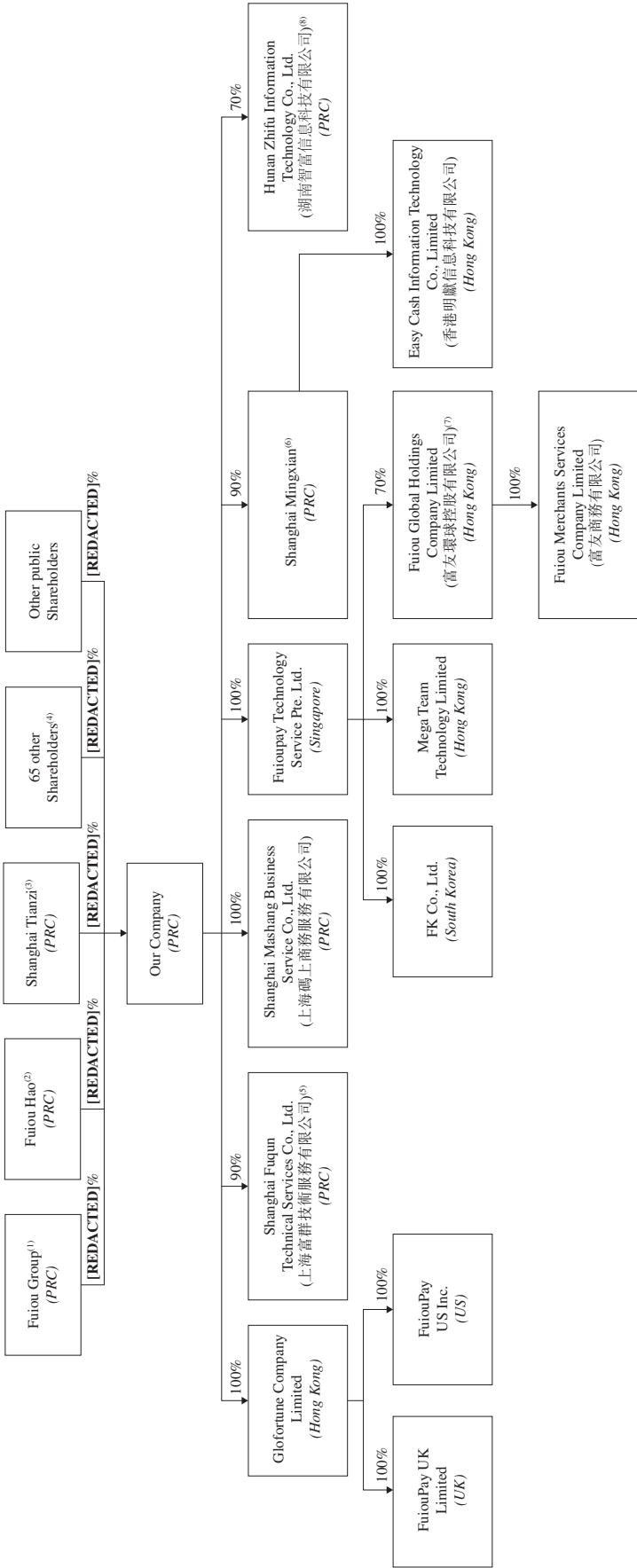
- (1) As of the Latest Practicable Date, Fuiou Group was owned by the following shareholders:
- (i) 9.97% by Shanghai Huizhiji Enterprise Management Service Partnership (Limited Partnership) (上海匯知己企業管理服務合夥企業(有限合夥)), a limited partnership established in the PRC and controlled by Dr. Chen Jian, our executive Director, as its general partner. As of the Latest Practicable Date, it was owned as approximately 95.28% by Dr. Chen Jian and 4.72% by Mr. Fu Xiaobing, our executive Director and the general manager of our Company;
 - (ii) 7.97% by Mr. Zhu Lingjun, an Independent Third Party and a Shareholder;
 - (iii) 7.11% by Ms. Cai Meizhen, the spouse of Dr. Chen Jian, our executive Director;
 - (iv) 5.40% by Shanghai Tianzi. See note (3) below for details of Shanghai Tianzi;
 - (v) 5.20% by Mr. Yu Sheng, an Independent Third Party and a Shareholder;
 - (vi) 1.24% by Mr. Tao Weibin, a Supervisor and a Shareholder;
 - (vii) 61.75% by 51 shareholders, each an Independent Third Party holding less than 5% therein and also a Shareholder; and
 - (viii) 1.35% by three other shareholders, each an Independent Third Party.
 - (ix) To the best knowledge of our Directors, (a) save as disclosed in the paragraph headed “– Corporate Development – Subsequent Shareholding Changes” above in this section, the shareholders of Fuiou Group were independent from each other as of the Latest Practicable Date, and (b) there have been no material changes in Fuiou Group’s shareholders since January 1, 2023 and up to the Latest Practicable Date.
- (2) Fuiou Hao is controlled by Dr. Chen Jian, our executive Director, as the general partner. As of the Latest Practicable Date, it was owned as to approximately (i) 16.89% by Dr. Chen Jian, (ii) 40.50% by Shanghai Tianzhifu, (iii) 37.89% by Shanghai Tianyou, and (iv) 4.72% by Mr. Fu Xiaobing, our executive Director and the general manager of our Company.
- Shanghai Tianzhifu is our employee incentive platform controlled by Dr. Chen Jian, our executive Director, as its general partner. As of the Latest Practicable Date, Shanghai Tianzhifu was owned as to approximately (i) 9.75% by Dr. Chen Jian, (ii) 8.39% by Ms. Zhang Yiqun, our executive Director and chairperson of the Board, (iii) 1.29% by Ms. Cheng Xuelian, our board secretary and company secretary, (iv) 1.19% by Ms. Wang Hui, our deputy general manager, (v) 0.61% by Mr. Liu Baichuan, our [executive Director], (vi) 9.73% by Mr. Huang Fei, the general manager of Shanghai Mingxian, and (vii) 69.04% by 31 employees of our Company, each an Independent Third Party. For more information about our employee incentive scheme, see “Appendix VII – Statutory and General Information – Further Information about Our Directors, Supervisors, Management and Substantial Shareholders – Share Incentive Plan.”
- Shanghai Tianyou is the employee incentive platform of Fuiou Group controlled by Dr. Chen Jian, our executive Director, as its general partner. As of the Latest Practicable Date, Shanghai Tianyou was owned as to approximately (i) 37.37% by Dr. Chen Jian, (ii) 16.14% by Mr. Fu Xiaobing, our executive Director and the general manager of our Company, and (iii) 46.49% by 15 employees of Fuiou Group, each an Independent Third Party.
- (3) Shanghai Tianzi is a limited partnership established in the PRC controlled by Mr. Fu Xiaobing, our executive Director and the general manager of our Company, as the general partner. As of the Latest Practicable Date, it was owned as to approximately (i) 13.39% by Mr. Wu Wei, [a former director of our Company], (ii) 11.03% by Mr. Fu Xiaobing, our executive Director and the general manager of our Company, (iii) 9.54% by Zhu Zibin, an Independent Third Party (iv) 8.35% by Tian Jing, an Independent Third Party, (v) 5.40% by Sun Aihe, an Independent Third Party, (vi) 1.86% by Ms. Zhang Yiqun, our executive Director and chairperson of the Board, (vii) 3.04% by Mr. Huang Fei, the general manager of Shanghai Mingxian, and (viii) 47.38% by 43 limited partners, each an Independent Third Party holding less than 5% therein.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (4) See “Share Capital – Our Share Capital – Upon the Completion of the [REDACTED]” for details of the 65 other Shareholders and their shareholdings immediately following completion of the [REDACTED], and see “– Corporate Development – Subsequent Shareholding Changes” above for their shareholdings as of the Latest Practicable Date and immediately prior to the completion of the [REDACTED].
- (5) The remaining interest is held by Hong Kong Alliance Win Limited (香港聯贏有限公司), an Independent Third Party mainly engaged in equity investment.
- (6) The remaining interest is held by Shanghai Licun Commercial Management Center (Limited Partnership) (上海力存商業管理中心(有限合夥)) (“**Shanghai Licun**”), a shareholding platform. As of the Latest Practicable Date, Shanghai Licun was owned as to (i) 77.50% by Huang Fei, the general manager of Shanghai Mingxian, (ii) 10% by Cai Rong, and (iii) 12.5% by five limited partners, each holding 2.5% therein. Each of the partners of Shanghai Licun was an employee of the Group and his/her family member as of the Latest Practicable Date.
- (7) The remaining interest is held by JanRich Tech International Limited (錦富國際有限公司), an Independent Third Party mainly engaged in equity investment.
- (8) The remaining interest is held by Zeng Ling (曾令), an Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following chart illustrates our corporate and shareholding structure immediately after the completion of the [REDACTED] (assuming that the [REDACTED] has not been exercised):



Note: See the respective notes under the shareholding and corporate structure immediately prior to the completion of the [REDACTED] as set out above.

BUSINESS

OVERVIEW

We are an integrated digital payment technology platform in China across multiple domains providing multichannel payment services as well as technology, management, and other value-added services to empower customers of all sizes and various industries under different commercial scenarios.

Our digital payment technology platform is purpose-built for facilitating authentic commercial activities. Evolving market demands and technological advancements drive us to continuously refine our technologies and offerings with a customer-centric approach. After years of continuous market operation, innovation and accumulation of experience across various commerce scenarios, we have developed a mature digital payment technology platform that empowers business activities and enhances efficiency and security of both capital and information flow.

We hold recognized brand dominance and a prominent market position in China’s integrated digital payment market. We were among the first in China to offer multichannel digital payment and digital commerce-enabling solutions and were among the first to receive approval to carry out cross-border foreign exchange payment services, according to Frost & Sullivan. Many of our offerings are among the first within the industry, such as acquiring services, cross-border digital payment and account operation services.

We are innovators in technological application in China’s payment market. With our philosophy of “technology-driven payment innovation,” we have consistently focused on technological development and innovation in the payment service domain. We consider our technological capabilities to be vital for maintaining our core competitiveness and independently developed our systems and product functions. Leveraging advanced technologies such as AI, big data and cloud computing, we have built a proprietary payment technology platform integrating stability, security, efficiency and convenience. In addition to our payment technology platform, we also developed our proprietary commercial SaaS (software-as-a-service) software, positioning ourselves as a strong commercial SaaS software provider, especially in the restaurant SaaS software market. Our proprietary payment system and commercial SaaS software are not only utilized internally but also launched as technological products for adoption by banks and other payment companies.

We are committed to providing our customers with secure, convenient and efficient multichannel payment solutions. We have a well-established payment license portfolio in China and hold payment licenses in Hong Kong and the United States. This enables our payment offerings to cover a variety of commercial scenarios in different fields, including (i) commercial payment (offline and online bank card acquiring, QR code payments), (ii) financial payment (including credit card repayment and fund payment) and (iii) cross-border digital payment services (including B2C and B2B), facilitating customers in simplifying payment processes, integrating online and offline payment information, ensuring secure fund flow and providing a robust and scalable payment infrastructure to promote the efficient operation of transaction networks.

BUSINESS

We have established a diversified product and service matrix centered around payment platform, technology, management, and other value-added services catering to varied needs of small and medium-sized merchants and enterprises with our digital solutions in complex business scenarios, including (i) merchant SaaS solutions, which help customers improve their operational efficiency, (ii) digital marketing services, allowing customers to effectively reach their target markets, (iii) account operation services, which cater to our customers, working capital management needs, and (iv) other solutions including PaaS (payment-as-a-service) and electronic invoicing services.

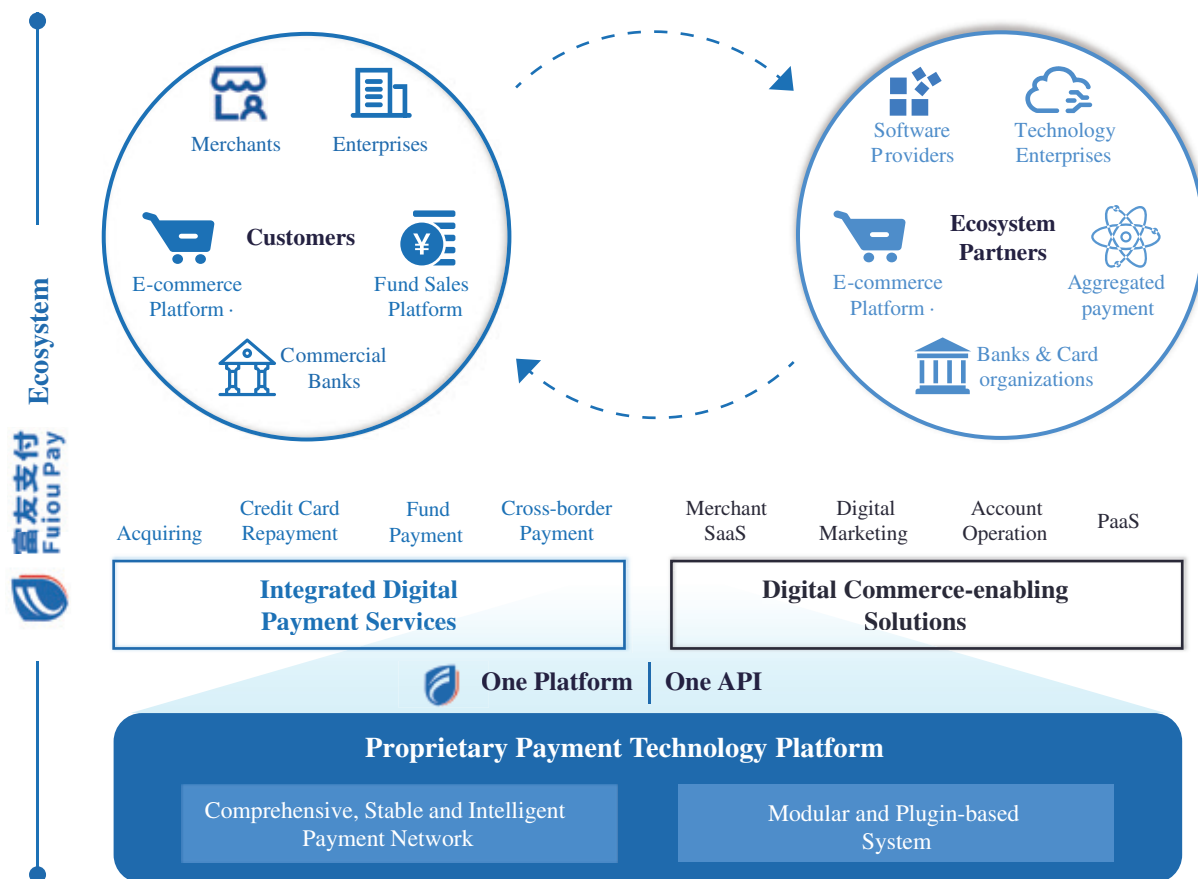
During the Track Record Period, we generated a majority of revenue from integrated digital payment services, in particular, domestic payment services. Meanwhile, our digital commerce-enabling solutions have been growing rapidly and are making an important contribution to our revenue. For our integrated digital payment services, we primarily generate revenue from collecting service fees based on a certain percentage of the TPV and/or charging customers a fixed services fee per transaction. For our digital commerce-enabling solutions, we primarily generate revenue from collecting service fees based on the service scope.

We provide customers with integrated digital services through a single integration API, including aggregated acquiring such as QR code payment and bank card acquiring, proprietary payment gateways and intelligent solutions, facilitating merchants with digital payment, settlement, marketing, working capital management and daily operations. For example, we provide cloud encryption, POS-SDK and other solutions to a top global luxury brand, integrating their cashier systems and back-office operations through APIs, creating a closed-loop payment experience. We introduced the model of delivering daily order data to the receiving banks via API, enabling the banks to provide our customer with tailored order and financial reports, achieving customized display of capital and information flow, significantly improving the efficiency of financial reconciliation and management for our customers.

We have established an open ecosystem. Leveraging our license advantages and underlying technological capabilities, we have built a broad, stable and intelligent payment network capable of connecting major global card organizations such as Visa, Mastercard, American Express, JCB and Diners Club, Chinese clearing institutions such as UnionPay, NetsUnion and Liantong and 93 banks globally. We also have an extensive network of channel partners to develop relationships with small and medium-sized merchants and other customers across China to expand the customer base for our services and solutions. Our channel partners are mainly responsible for helping us reach and acquire customers in designated geographic areas or industries, including promoting and advertising our services, expanding our market and industry coverage, and recommending their platform customers to use our services. Meanwhile, we have established strategic partnerships with various types of business partners, primarily including top-tier technology enterprises, e-commerce platforms, software service providers and aggregated payment platforms.

BUSINESS

Our open ecosystem promotes the rapid and cost-effective expansion of our newly launched offerings. For example, our merchant SaaS solutions have experienced rapid growth during the Track Record Period, with its revenue increasing from RMB2.6 million in 2022 to RMB17.6 million in 2023, and further to RMB26.9 million in 2024.



Since our inception and up to December 31, 2024, we had processed a TPV of RMB15.10 trillion and over 54.5 billion payment transactions. In terms of number of processed transactions for acquiring services, we ranked first among independent integrated digital payment service providers in China in 2024, according to Frost & Sullivan. Our customers mainly include small and medium-sized merchants and enterprises in different industry verticals and financial institutions. As of December 31, 2024, our platform had provided services to 5.2 million customers cumulatively, encompassing industries such as retail, food and beverage, leisure and entertainment, finance, among others.

BUSINESS

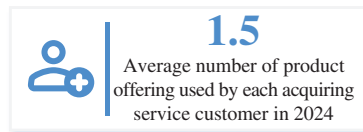
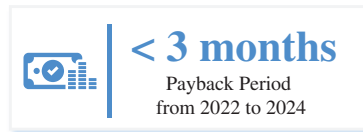
Leveraging the scalability of our technology platform and the network effects of our ecosystem, we had achieved significant growth and operating leverage during the Track Record Period. Our revenue increased from RMB1,142.4 million in 2022 to RMB1,634.3 million in 2024 with a CAGR of 19.6%. The TPV processed by our platform increased from RMB1.73 trillion in 2022 to RMB2.08 trillion in 2024 with a CAGR of 9.7%. The number of transactions processed by our platform increased from 8.6 billion in 2022 to 14.3 billion in 2024 with a CAGR of 28.8%. We saw a decreasing trend in our operating expenses as a percentage of revenue during the Track Record Period, from 22.1% in 2022 to 19.0% in 2024.

Our Performance and Achievements

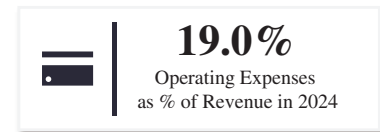
Significant Business Scale



Efficient Unit of Economics



Profitability and Growth



Note:

1. We ranked first among the independent integrated digital payment service providers in aggregated acquiring market in China in terms of the number of transaction in 2024, with a market share of approximately 15.1%, according to Frost & Sullivan.
2. In 2024, the average transaction volume contribution of our employees was 28.1 million transactions per employee, ranked first among major players in integrated digital payment market in China, according to Frost & Sullivan.

BUSINESS

OUR STRENGTHS

Recognized brand dominance and prominent market position in China’s integrated digital payment market

We entered China’s integrated digital payment market in 2008. In 2011, we obtained the Payment Business Permit (支付業務許可證) from the PBOC to offer integrated digital payment services and digital commerce-enabling solutions to for various types of customers to serve authentic commercial scenarios. We have a well-established payment license system in China and hold payment licenses in Hong Kong and the United States.

Mr. Chen Jian, the founder of the Company, is one of the earliest practitioners in China’s digital payment industry. He worked at China UnionPay Co., Ltd. from March 2002 to February 2009, and participated in the establishment of China UnionPay. He has rich industry experience and a deep understanding of the digital payment industry.

Since our inception, we have been among the first to offer numerous multichannel payment services and digital commerce-enabling solutions in the industry, including acquiring services, cross-border digital payment services and account operation services. We have continuously maintained a competitive position in product innovation within the industry, according to Frost & Sullivan.

Since our inception and up to December 31, 2024, we had processed a TPV of RMB15.10 trillion and over 54.5 billion payment transactions. In terms of number of processed transactions for acquiring services, we ranked first among independent integrated digital payment service providers in China in 2024, according to Frost & Sullivan.

With extensive expertise and industry experience, we have earned a strong reputation in the payment industry. We have received numerous honors and awards, such as the Outstanding Contribution to Payment Services Innovation Award from American Express in 2024, the Outstanding Acquiring Partner Award China Region from Visa in 2023, the Best Support Partner Award from Huawei Global Finance in 2022 and the Best Acquiring Business Award from Mastercard in 2021, among others.

Advanced proprietary digital payment technology platform

We have consistently focused on technological development and innovation in the payment service domain. We consider our technological capabilities to be vital for maintaining our core competitiveness and independently developed our systems and product functions. Leveraging advanced technologies such as AI, big data and cloud computing, we have built a proprietary payment technology platform integrating stability, security, efficiency and convenience. We place great emphasis on technological research and development, which has resulted in the accumulation of nine invention patents and 160 computer software copyrights as of the Latest Practicable Date.

BUSINESS

Our transaction system is designed to process over 50 million transactions on average daily. It has a peak processing capacity of approximately 5,000 transactions per second and an average processing time of 0.01 seconds per transaction, both topping industry average according to Frost & Sullivan. Our system operates continuously across two geographically dispersed server centers, ensuring availability 365 days a year and 24 hours a day. It is equipped with automatic error correction capabilities and achieves a remarkable operational reliability rate of 99.999%, providing a secure, convenient, and efficient environment for commercial transactions and fund transfers. The stability of our system have earned recognition from our partners and customers.

We have implemented a modular and plugin-based development approach for our payment system, resulting in the creation of numerous functional modules and subsystems. This approach has significantly enhanced our research and development efficiency, enabling rapid iteration, product innovation and business expansion. To meet the diverse digital needs of customers in increasingly complex transaction scenarios, we continuously innovate based on our technology platform, efficiently conducting product research, development and deployment with fast iteration cycles. We have introduced various products and services for different payment scenarios, including integrated online and offline acquiring, credit card repayments, fund payments, and cross-border digital payments. Additionally, we provide standardized SaaS solutions tailored to digital application scenarios that support efficient merchant operations, marketing, customer acquisition and customized services such as working capital management and PaaS. We have incorporated AI technology to empower different aspects of our business, including our internal systems and technology platforms as well as external offerings to customers, enhancing our operational efficiency and product competitiveness.

Through a single integration API, we provide customers with payment and digital solutions including aggregated acquiring (bank card and QR code payments), proprietary online payment gateways, and intelligent solutions, facilitating merchants with digital payment, settlement, marketing, working capital management and daily operations with seamless experience.

We empower partners and merchant clients within the ecosystem with our advanced technological capabilities. We have provided software and payment technology solutions for banks, where we develop and build tailored payment software and systems according to the specific needs of the banks. We also provide commercial SaaS systems for payment institutions and companies to share our underlying payment technology to empower their payment services. Digital commerce-enabling solutions are a vital component of our ecosystem, with its contribution to our total gross profit increasing from 12.6% in 2022 to 16.0% in 2023, and further to 20.4% in 2024.

We continuously attract high-caliber talents to strengthen our research and development capabilities. Meanwhile, we continue to increase our investment in research and development to ensure the application and promotion of our technological research and development results. During the Track Record Period, our research and development expenses accounted for around 4% of our total revenue, on par with industry average, according to Frost & Sullivan. As of December 31, 2024, we had 185 research and development personnel, representing 36.3% of our total employees. Our research and development team possesses specialized technical expertise and extensive experience in related fields. We have won widespread recognition in the technology field and received multiple honors, including being recognized

BUSINESS

as a Shanghai Software Core Competitiveness Enterprise in 2024, as the Top 100 Shanghai Software and Information Technology Enterprise in 2020, 2021, 2022, 2023 and 2024, as a Shanghai High-Tech Enterprise and a Science and Technology Little Giant of Shanghai in 2020, 2021, 2022 and 2023 and receiving China UnionPay’s 2019 Best Financial Technology Innovation Service Award, among others.

Open ecosystem with strong network effects

We have created an open ecosystem, partnering with major international card organizations and PRC clearing institutions, 93 global banks, leading technology enterprises, e-commerce platforms, software service providers, aggregated payment platforms and other channel partners.

Our ecosystem partners frequently interact with small and medium-sized merchants and enterprises in front-line commercial practices, allowing us to understand customer pain points and target digital innovations in our products and services, enhancing user experience and increasing user stickiness. Underpinned by our comprehensive license portfolio, we have built a diversified product and service matrix centered around payment platform, catering to different needs of small and medium-sized merchants and enterprises with our digital solutions in complex business scenarios. Our integrated digital payment services primarily include (i) aggregated and online acquiring services, (ii) credit card repayment services, (iii) fund payment services and (iv) cross-border digital payment services. Our digital commerce-enabling solutions consist of a rich variety of value-added products and services, including (i) merchant SaaS solutions, which help customers improve their operational efficiency, (ii) digital marketing services, allowing customers to effectively reach their target markets, (iii) account operation services, which cater to our customers’ working capital management needs, and (iv) other solutions including PaaS and electronic invoicing services.

Our comprehensive payment network and technology platform capabilities empower ecosystem partners with payment and digital solutions on top of standard products and services. Our comprehensive service and solution portfolio provides us with enormous cross-selling opportunities, enhancing user experience and increasing user stickiness. Our product innovation abilities have earned recognition from customers and further increased our cross-selling opportunities, with our average active terminals per merchant increasing from 1.2 in 2022 to 1.9 in 2023, and further to 2.1 in 2024.

Growing number of customers and transactions within our open ecosystem will attract new partners to join and continuously expand the scale of our distribution network. Such expansion enables us to reach more potential customers in diverse scenarios, driving continuous enrichment and improvement of our products and services. The enhanced coverage across different scenarios and customers fosters a network effect, strengthening the self-reinforcing nature of our ecosystem. Our open ecosystem promotes the rapid and cost-effective expansion of our newly launched offerings. For instance, the revenue from our merchant SaaS solutions increased from RMB2.6 million in 2022 to RMB17.6 million in 2023, and further to RMB26.9 million in 2024. The active customers of our merchant SaaS solutions business increased from 49.9 thousand in 2022 to 84.7 thousand in 2023, and further to 150.5 thousand in 2024. As of December 31, 2024, 72.1% of the merchants using our SaaS solutions had been converted from our integrated digital payment service customers. The average number of product offerings used by each of our acquiring service customer increased from 1.2 in 2022 to 1.5 in 2024.

BUSINESS

Our ecosystem generates significant economies of scale and scope. Our active customers increased from 1.4 million in 2022 to 1.7 million in 2023, and further to 2.1 million in 2024, with a CAGR of 22.6%. Our average customer acquisition cost decreased from RMB38.4 in 2022 to RMB35.6 in 2023, and further to RMB25.5 in 2024. In 2024, the average payment volume per employee was RMB4.1 billion and the average transaction volume per employee was 28.1 million, both of which exceed the industry average, according to Frost & Sullivan. These have resulted in a payback period of 1.7 months in 2024, being industry-leading level. In addition, we saw a decreasing trend in our operating expenses as a percentage of revenue during the Track Record Period, from 22.1% in 2022 to 19.0% in 2024, indicating significant operating leverage of our business model.

Comprehensive and robust risk control system providing stable and reliable safeguards for transactions in authentic commerce scenarios

Our core founding team primarily comes from financial institutions such as UnionPay and commercial banks. They have been deeply involved in creating China’s first set of inter-bank card transaction rules and in building China’s first bank card credit information system. They have a comprehensive and profound understanding of the risks associated with our business and an accurate and in-depth understanding of regulatory policies. Our compliance culture has become one of our core competitive strengths. We are committed to innovation while ensuring compliance and serving customers in authentic commerce scenarios.

Our patented technology is dedicated to ensuring that the payments we process are authentic and legitimate transactions. We have established a comprehensive risk control framework and risk management system, extensively using data analytics technologies. With a unified, efficient and secure clearing and settlement system and a multi-dimensional, dynamic and end-to-end risk control system to enhance our anti-money laundering capabilities, we are committed to providing services to customers in authentic commerce scenarios, ensuring the legality and compliance of transactions and the efficient and stable flow of funds.

We have developed our proprietary real-time transaction monitoring system and risk management system and utilize third-party anti-money laundering monitoring software. These systems enable real-time transaction and anti-money laundering monitoring, realizing unified risk dispatch for all business lines and unified parameter configuration for risk control measures such as transaction limits. Our risk management system employs suspicious transaction monitoring models based on fraud risk characteristics. It incorporates real-time, near-real-time and scheduled monitoring mechanisms for high-risk transaction interception, suspicious transaction monitoring and analysis. In 2024, our payment platform’s fraud loss rate was as low as 0.0001%, well below industry average, according to Frost & Sullivan.

Our KYC/KYB processes combine system verification with human judgment, utilizing OCR tools embedded in our business systems to assist our staff in verifying the accuracy and completeness of customer identity information. This enhances automation, reduces KYC/KYB processing time and improves operational efficiency.

BUSINESS

We are committed to establishing long-term and in-depth relationships with regulatory authorities. We were one of the first pilot institutions to participate in PBOC’s regulatory system and our risk control system has received recognition from regulatory authorities, customers and partners. We are committed to lawful and compliant operations, and our strong compliance record has strengthened our reputation among regulatory authorities in different jurisdictions. As of December 31, 2024, our cumulative penalties were among the lowest in the industry, according to Frost & Sullivan.

Visionary and seasoned management fostering a vibrant corporate culture

Our founder and management team possess extensive expertise and leadership experience in the respective fields of payment, software and technology. Our founder, Mr. Chen Jian, is an industry leader with approximately 28 years’ experience in finance and payment. He spent five years at China Merchants Bank Co., Ltd. and seven years at China UnionPay Co., Ltd. before founding our Company in 2009.

Our management team consists of young professionals who have demonstrated long-term commitment and maintained stable since inception. Their expertise and work ethic allow for the effective implementation of operational and management principles, resulting in efficient business operations and a culture of innovation.

We have implemented internal promotion and autonomous management mechanisms. Our comprehensive employee compensation and incentive systems are designed to empower our management team and employees, fostering autonomy, enthusiasm, innovation and attract and cultivate talented individuals in the fields of technology and management.

We practice technology-driven operational management, digitizing processes from front-end operations to middle and back-office management. This has accelerated merchant onboarding, enabled efficient management of channel partners, and significantly enhanced operational efficiency, earning the recognition of our broad customer base.

BUSINESS

OUR STRATEGIES

Further expand our customer base

We plan to strengthen our network of partners to create mutually beneficial product and market collaborations, which will enable us to attract new partners and open up new avenues for cooperation and expand our customer base. We are committed to continuous innovation, ensuring that our offerings evolve to meet the changing demands of our customers. For example, we plan to improve the functionalities of our domestic payment services, including development of industry-specific payment solutions covering public transportation, leisure and entertainment, and logistics industries. In terms of merchant SaaS solutions, we plan to invest in development of industry-specific solutions covering catering, retail, and leisure and entertainment industries. We also plan to develop more tailored PaaS products for target customers by integrating and transmitting our capabilities in digital payment services and digital commerce-enabling solutions to serve more merchants, enterprises and financial institutions.

By adopting a customer-centric approach to our product innovation, we aim to deliver value, enhance customer satisfaction and in turn attract more customers. Furthermore, we plan to expand our geographical reach and diversify our industry presence, entering new regions and catering to a broader range of industries. This expansion will allow us to tap into new markets and explore new growth engines.

Unlock substantial opportunity within existing customer base

We aim to uncover and capitalize on the untapped potential and opportunities within our existing customer base. On the one hand, we intend to enhance customer stickiness, ensuring that our existing customers remain loyal and continue to choose our products and services. By providing tailored solutions, personalized support and exceptional experiences, we aim to continually increase customer retention rates.

On the other hand, we plan to actively pursue cross-selling opportunities within our existing customer base. By leveraging our deep understanding of their needs and preferences, we can identify complementary products or services that align with their business needs. This approach will not only strengthen our relationship with customers but also maximizes unit economic effects, resulting in increased revenue and higher profitability.

Continue investing in technology platform and infrastructure, to enhance our product portfolio with differentiated solutions

We remain committed to investing in our technology platform and infrastructure to support continuous product innovation. This includes strengthening our investment in modular technology platforms, technology infrastructure and our key digital payment business related technologies to maintain a rapid product iteration cycle, enabling us to enhance research and development capabilities and streamline product deployment.

We plan to focus on providing diversified solutions that cater to the specific needs of merchants and align with their unique application scenarios. For example, we plan to strengthen the single API capability for our customers with closed-loop payment experience, enhance functionalities, features and integration

BUSINESS

process of our API connections to deliver more stable, scalable and secure services and improve customer loyalty, and enrich API functionalities and features to provide customized API product functionalities that cater to a broader range of industry-specific solutions. We aim to offer high-value products and services that bring tangible benefits to both merchants and technology enterprises, such as further developing our electronic invoicing services. Furthermore, we intend to leverage the fruits of technological innovation and application to extend our software capabilities to financial institutions. This allows us to deliver cutting-edge technology and software solutions to meet their specific requirements.

By investing in our technology platform and infrastructure, we aim to further enhance our product portfolio with differentiated solutions. This will position us to continuously meet evolving market demands, drive innovation, and deliver value to our customers and ecosystem partners.

Expand our partners network and enhance our mutually beneficial ecosystem

We aim to expand our network of ecosystem partners and continuously enhance a mutually beneficial ecosystem. This involves establishing broader and stronger collaborative relationships that connect clearing institutions, banks, aggregated payment platforms, software companies, technology platforms, and other partners to construct a multidimensional distribution network.

We will continue to empower our partners with technology and innovation and provide our customers with more intelligent digital solutions, so as to expand our customer base, enhance customer loyalty, and amplify the network effects within the ecosystem. This will foster a mutually beneficial and cooperative environment that creates synergies driving shared success among all participants.

Further develop our cross-border digital payment services and grow our international business

We intend to robustly develop our cross-border digital payment capabilities and further expand our international operations. To achieve this, we plan to strengthen partnerships with financial institutions and large enterprises and extending the boundaries of our cross-border digital payment services, including online and offline, service and goods trade, B2C and B2B segments, as well as inbound and outbound fund flows. We also plan to actively participate in the construction and development of international clearing systems. In addition, we plan to invest in R&D of one-stop payment settlement tools and payment system platform, covering data centers, network, operation and maintenance, websites, systems, third-party services and databases.

Additionally, we plan to expand our business overseas by offering integrated acquiring services and merchant SaaS solutions and setting up overseas offices. Our strategy includes launching tailored local products, services and solutions and conducting pilot programs both online and offline, with the initial launch of software and systems in English and Indonesian language versions. This approach will allow us to tap into global markets and cater to the needs of overseas customers.

BUSINESS

OUR BUSINESSES

We are an intelligent digital payment technology platform in China providing multichannel payment and commerce-enabling solutions to business of all sizes and various industries under different commerce scenarios. With our extensive expertise in digital payments and related technology capabilities, we have developed and commercialized a growing range of payment and digital services, primarily including:

- ***Integrated Digital Payment Services.*** We provide a comprehensive set of payment services to allow merchants and other customers across industries to process payments in a seamless, convenient and secure way. Our integrated digital payment services primarily include (i) aggregated and online acquiring services, (ii) credit card repayment services, (iii) fund payment services and (iv) cross-border digital payment services.
- ***Digital Commerce-enabling Solutions.*** Based on our understanding of customer needs accrued from payment services and building on our strong payment technological capability, we have expanded our business to offer digital commerce-enabling solutions to empower various customers. Our solutions consist of a rich variety of value-added products and services, including (i) merchant SaaS solutions, which help customers improve their operational efficiency, (ii) digital marketing services, allowing customers to effectively reach their target markets, (iii) account operation services, which cater to our customers, working capital management needs, and (iv) other solutions including PaaS and electronic invoicing services.

We also leverage our proprietary technology platform and robust risk management to ensure the implementation of our regulatory compliance framework. We believe our commitment to regulatory compliance and related efforts has earned the trust of customers and partners, enabling our customers to succeed in the digital transformation in commerce. Through our integrated digital payment services and digital commerce-enabling solutions, we provide a convenient and comprehensive platform for customers that address their core needs. Our services and solutions not only enhance operational efficiency but also create a virtuous cycle that creates complementary effects.

BUSINESS

The following table sets forth our revenue by business type during the Track Record Period:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except percentage)</i>						
Integrated digital payment services	1,081,857	94.7	1,414,044	93.9	1,511,513	92.5
Domestic payment services	976,410	85.5	1,322,601	87.8	1,371,570	83.9
– Acquiring services	931,525	81.6	1,289,983	85.7	1,342,145	82.1
– Credit card repayment services	41,391	3.6	28,934	1.9	27,187	1.7
– Fund payment services	3,494	0.3	3,684	0.2	2,238	0.1
Cross-border digital payment services	105,447	9.2	91,443	6.1	139,943	8.6
Digital commerce-enabling solutions	48,537	4.2	79,562	5.3	114,523	7.0
Merchant SaaS solutions	2,611	0.2	17,567	1.2	26,863	1.6
Digital marketing services and other value-added services ⁽¹⁾	45,926	4.0	61,995	4.1	87,660	5.4
– Digital marketing services	37,346	3.3	33,176	2.2	43,410	2.7
– Account operation services	1,432	0.1	16,843	1.1	33,861	2.1
– Other solutions	7,148	0.6	11,976	0.8	10,389	0.6
Others ⁽²⁾	12,025	1.1	12,059	0.8	8,220	0.5
Total	1,142,419	100.0	1,505,665	100.0	1,634,256	100.0

Notes:

- (1) Other value-added services consisted of (i) account operation services, and (ii) other solutions including PaaS and electronic invoicing services.
- (2) Others mainly represented rental income generated from lease of investment properties.

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The following table sets forth our key operating data during the Track Record Period:

	Year ended December 31,		
	2022	2023	2024
TPV (<i>RMB in trillion</i>)	1.73	2.03	2.08
– Domestic Payment Service (<i>RMB in billion</i>).	1,638.2	1,934.0	1,942.1
– Cross-border digital payment services (<i>RMB in billion</i>)	84.9	64.3	70.8
– Account operation services (<i>RMB in billion</i>)	3.0	31.8	64.5
Number of Transactions (<i>billion</i>)	8.6	11.9	14.3
Active Customers ⁽¹⁾ (<i>million</i>)	1.4	1.7	2.1
– Domestic Payment Service (<i>thousand</i>)	1,159.6	1,422.1	1,841.8
– Cross-border digital payment services (<i>thousand</i>)	223.4	218.6	229.1
– Digital commerce-enabling solutions (<i>thousand</i>)	51.8	92.9	162.1
Average Customer Acquisition Cost ⁽²⁾ (<i>RMB</i>)	38.4	35.6	25.5
Payback Period ⁽²⁾ (<i>month</i>)	2.0	1.9	1.7
Average Number of Product Offerings Used by Each Acquiring Service Customer ⁽³⁾	1.2	1.4	1.5
Average Active Terminals Per Merchant ⁽⁴⁾	1.2	1.9	2.1
Cumulative Customers as of Period End (<i>million</i>) ⁽⁵⁾	3.4	4.3	5.2
– Domestic Payment Service (<i>thousand</i>)	2,904.5	3,661.3	4,593.8
– Cross-border digital payment services (<i>thousand</i>)	397.6	468.3	547.7
– Digital commerce-enabling solutions (<i>thousand</i>)	69.8	144.1	259.3
New Customers (<i>million</i>) ⁽⁶⁾	0.9	1.0	1.5

Notes:

- (1) Active customers for a given period refer to those who have at least one transaction activity with our services during that period.
- (2) Average customer acquisition cost for a given period is calculated by dividing marketing and promotion expenses in that period, by the number of newly acquired active customers in the same period. Payback period refers to the amount of time it takes for the net income (after deducting commissions) generated from customers in a given period to cover marketing and promotion expenses spent to acquire those customers. Average customer acquisition cost and payback period are calculated for acquiring services, cross-border digital payment services and merchant SaaS solutions, as they involve marketing and promotion expenses to acquire new customers. Our other business lines focus on existing clients or value-added services for current merchants, for which the average customer acquisition cost and payback period are not applicable.

BUSINESS

- (3) Average number of product offerings used by each acquiring service customer for a given period is calculated by dividing the number of active customers of *Rich Boss*, merchant SaaS solutions, digital marketing services, account operation services and electronic invoicing services during that period by the number of active customers of *Rich Boss* in the same period.
- (4) Average active terminals per merchant for our aggregated acquiring services in a given period is calculated by dividing the number of active terminals in that period, by the number of active merchants in the same period. Note that merchants accessing our payment channel through open platform do not use our terminals and therefore are not included in this calculation.
- (5) Cumulative customers as of a given date refer to the cumulative customers who have at least one transaction activity with our services as of that date. During the Track Record Period, except for our aggregated acquiring services where the payment is incurred offline, all of our merchant customers were from online channel.
- (6) New customers for a given period refer to customers who have at least one transaction activity with our services during that period but have not transacted with us before the start date of that period.

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The following table sets forth key information for each of our main business segments:

	Aggregated and Online Acquiring Services	Credit Card Repayment Services	Fund Payment Services	B2C Cross-Border Digital Payment Services	B2B Cross-Border Digital Payment Services	Merchant SaaS Solutions	Digital Marketing Services	Account Operation Services	PaaS ⁽²⁾	Electronic Invoicing Services
Nature of Main Customers	Merchants	Banks	Fund sales agencies; Fund management companies	Merchants; Overseas payment service providers	Merchants	Merchants	Merchants; Financial institutions	Merchants; Banks	Financial institutions; Payment institutions; Technology enterprises	Merchants
Revenue Model	Typically charge a service fee as a percentage of TPV	Typically charge a fixed service fee for each credit card repayment we process and/or charge at a fixed rate based on total amount of credit card repayment we process	Typically charge a service fee as (i) a percentage of transaction amount we process for investment fund payments; and (ii) a fixed service fee for each transaction we process for investment fund redemptions	Typically charge a service fee as a percentage of TPV	Typically charge a service fee as a percentage of TPV	Typically charge a fixed subscription fee per store for the use of our software	Typically charge a service fee based on (i) CPM (cost per mille) model for our digital marketing services; (ii) CPS (cost per sale) model for our loan referral services for banks	Based on the specific usage scenarios, typically charge a combination of (i) fixed annual subscription fee, (ii) one time system access fee and/or (iii) transaction fees as a percentage of TPV	Typically charge (i) a one-time project fee for each engagement, (ii) ongoing subscription fee as a percentage of TPV and (iii) annual system maintenance fee as a percentage of the one-time project fee	Typically charge a fixed annual fee for utilizing our electronic invoicing system

BUSINESS

Service Fee	2022	2023	2024	Aggregated and Online Acquiring Services	Credit Card Repayment Services	Fund Payment Services	B2C Cross-Border Digital Payment Services	B2B Cross-Border Digital Payment Services	Merchant SaaS Solutions	Digital Marketing Services	Account Operation Services	PaaS ⁽²⁾	Electronic Invoicing Services
Average/Range	0.30%	0.30%	0.32%		0.03%	Payments: 0.2% – 0.3% Redemptions: RMB0.5 – RMB2.0 per transaction	0.07%	0.1% – 0.3%	RMB150 per device	Digital marketing services: RMB25 per thousand impressions Loan referral services: 10% – 15%	N/M ⁽¹⁾	Subscription: 0.03% – 0.05% System maintenance: 10% of project fee per year	RMB100 per year
					0.03%	Payments: 0.2% – 0.3% Redemptions: RMB0.5 – RMB2.0 per transaction	0.07%	0.1% – 0.3%	RMB240 per device	Digital marketing services: RMB24 per thousand impressions Loan referral services: 10% – 15%	N/M ⁽¹⁾	Subscription: 0.03% – 0.05% System maintenance: 10% of project fee per year	RMB100 for the first year and RMB300 per year thereafter
					0.03%	Payments: 0.2% – 0.5% Redemptions: RMB0.5 – RMB2.0 per transaction	0.09%	0.1% – 0.3%	RMB400 per device	Digital marketing services: RMB30 per thousand impressions Loan referral services: 10% – 15%	N/M ⁽¹⁾	Subscription: 0.03% – 0.05% System maintenance: 10% of project fee per year	RMB298 – RMB398 per year

Notes:

(1) The fee average or range for account operation services in each period during the Track Record Period is not meaningful, as these fees are charged based on specific usage scenarios that vary significantly from customer to customer. During the Track Record Period, the fixed annual subscription fee ranged from RMB0.3 thousand to RMB0.1 million, the one time system access fee ranged from RMB1.0 thousand to RMB0.1 million, and the transaction fee rate ranged from 0.02% to 1.5%.

(2) The average or range for one-time project fee of PaaS in each period during the Track Record Period is not meaningful as such fee is charged primarily based on the labor cost in project execution that vary significantly from project to project. During the Track Record Period, the one-time project fee ranged from RMB50 thousand to RMB4 million.

Notes:

- (1) The fee average or range for account operation services in each period during the Track Record Period is not meaningful, as these fees are charged based on specific usage scenarios that vary significantly from customer to customer. During the Track Record Period, the fixed annual subscription fee ranged from RMB0.1 million, the one time system access fee ranged from RMB1.0 thousand to RMB0.1 million, and the transaction fee rate ranged from 0.02% to 1.5%.
- (2) The average or range for one-time project fee of PaaS in each period during the Track Record Period is not meaningful as such fee is charged primarily based on the labor cost in project execution that vary significantly from project to project. During the Track Record Period, the one-time project fee ranged from RMB50 thousand to RMB4 million.

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Nature of Main Equipment/ Platforms Involved	Aggregated and Online Acquiring Services	Credit Card Repayment Services	Fund Payment Services	B2C Cross-Border Digital Payment Services	B2B Cross-Border Digital Payment Services	Merchant SaaS Solutions	Digital Marketing Services	Account Operation Services	PaaS	Electronic Invoicing Services
Main Geographical Coverage	POS machines and systems; Rich Boss; Our merchant service platform	APIs	N/A	Web platform; APIs	Our merchant cross-border foreign exchange collection and settlement service platform	Smart cashier system; Supply chain management system; Membership management system; Restaurant ordering system	N/A	Comprehensive account operation system based on and in conjunction with our Rich Boss' cashier system and software	Tailored payment software and systems	POS machines and systems; Cashier systems
	Mainland China, excluding the following provinces: Henan, Zhejiang (excluding Ningbo), Fujian, Tianjin, Jiangxi, Jilin and Hunan	Mainland China	Mainland China	Mainland China, Hong Kong and the U.S. ⁽¹⁾	Mainland China and Hong Kong ⁽²⁾	Mainland China	Mainland China	Mainland China	Mainland China	Mainland China
Main Business Partners Involved	Merchants; Banks; Clearing institutions	Banks; Clearing institutions	Banks; Clearing institutions	Banks; E-Commerce platforms; Payment platforms	Banks; Channel partners	SaaS providers	Merchants; Banks	Enterprises; Chain businesses; E-Commerce merchants; Banks	Payment institutions; Technology enterprises	Merchants

Notes:

(1) Based on the location where we processed the fund flow for our clients.

(2) Based on the headquarter or location of our clients.

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Integrated Digital Payment Services

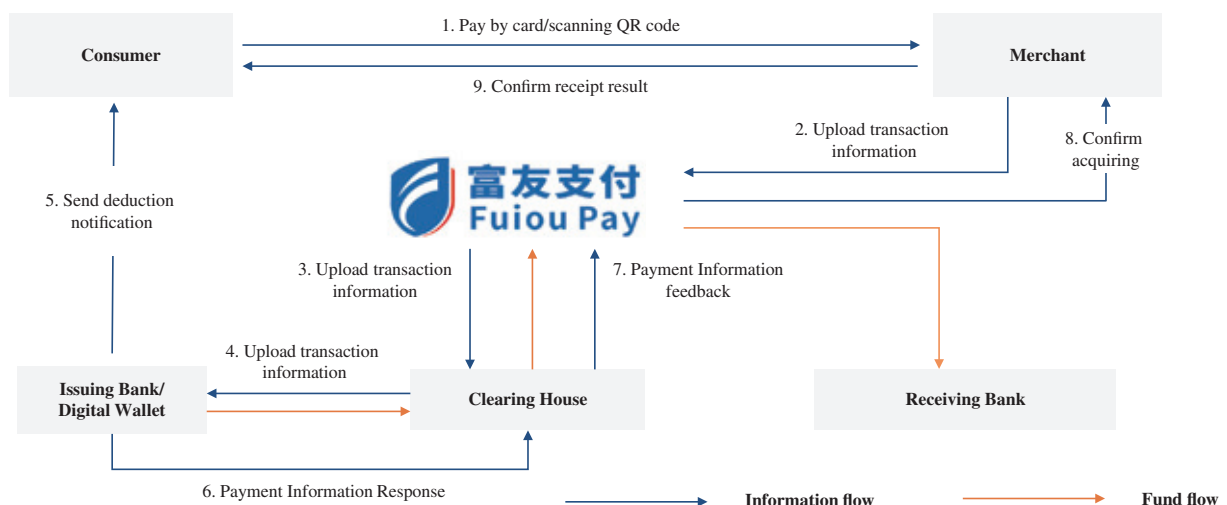
We provide a comprehensive set of payment services to allow merchants and other customers across industries to process payments in a seamless, convenient and secure way. We provide (i) acquiring services, (ii) credit card repayment services and (iii) fund payment services (together referred to as “**domestic payment services**”), and (iv) cross-border digital payment services.

In an increasingly digitalized world, businesses and financial institutions face challenges such as staying up-to-date with evolving technologies and trends and efficiently processing payments across various platforms and channels while maintaining security and reliability. We address these pain points by providing our customers with secure, convenient and efficient multichannel payment solutions covering variety of commercial scenarios in different fields supported by our robust compliance framework, facilitating customers in simplifying payment processes, integrating online and offline payment information, ensuring secure fund flow and providing a robust and scalable payment infrastructure and a unified, secure clearing and settlement system to ensure the efficient operation of transaction networks.

Our pricing strategy for payment services is largely market-driven. The service fee rate we charge for each type of service is typically determined by reference to the pricing of industry peers in relevant regions for providing comparable services, our business strategies for future development, and customers’ business scale and our commercial relationship with them, among others.

Acquiring Services

Our acquiring services primarily consist of (i) aggregated acquiring, which include QR code payment and bank card acquiring, and (ii) online acquiring services, enabling merchants to offer consumers a seamless, convenient and secure way to make payments regardless of whether such payments are made in-store or online. We typically charge merchants a service fee for acquiring services as a percentage of TPV depending on the type of service. The diagram below illustrates the payment process for our payment services and the role of each participant involved:



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Service Types

Aggregated acquiring. Aggregated acquiring refers to the acquiring activities where the payment is incurred offline, such as checking out at restaurants or supermarkets. Below is a real-life illustration of how our aggregated acquiring services operate:



- **QR code payment.** We provide QR code payment services to merchants when they accept payments from consumers through various mobile Apps or third-party e-wallets such as WeChat Pay and Alipay, by having consumers scan merchants' QR codes or having consumers' mobile QR codes scanned by merchants' devices. Our service allows merchants the convenience of receiving payments via a unified channel, eliminating the need for generating multiple QR codes or purchasing different payment terminals for various e-wallets. Processing the transactions centrally also facilitates record keeping, account management and data analysis by the merchants.
- **Bank card acquiring.** We also provide bank card acquiring services to merchants which enables them to receive card payments from consumers through UnionPay, which supports both PRC and overseas bank cards as well as mobile bank card payments (NFC).

Online acquiring. We also provide online acquiring services to merchants operating on the internet to accept payments from consumers made via bank cards and third-party e-wallets. Therefore, when end consumers purchase products or services from our merchant customers through an online channel, the transaction can be processed through our payment channel. Our customers primarily include e-commerce platforms, delivery service providers and customers in the online video gaming industry.

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Example of Acquiring

A gas station utilizes our aggregated acquiring services for payment collection. When a consumer makes a bank card payment at the gas station, we transmit the payment information to the clearing institution, which further forwards the payment information to the card-issuing bank of the consumer. Upon the consumer’s consent and authorization, the card-issuing bank transfers the funds to the clearing institution, then the clearing institution forwards the funds to us. We then transfers the funds to the gas station’s settlement account.

Rich Boss (富掌櫃)

Rich Boss is our proprietary brand and system designed to support our integrated digital payment services to provide clients with a one-stop platform to receive and process payments. We provide a wide variety of different types of POS machines and systems depending on the use scenario, such as facial recognition payment systems, QR code scanning using iPhone camera, POS systems with integrated ordering systems for beverages and fast food scenarios, as well as automated POS machines with real-time voice notification when payments are made for scenarios where there is no cashier present. Our *Rich Boss* system is used in diverse commerce scenarios to streamline the payment process including food and beverage, groceries, retail, public transportation, gas stations, healthcare, campus, entertainment venues, among others. Below illustrates the examples of our POS machines and systems:



Facial Recognition Payment Terminal



Cashier Terminal



All-in-One Payment Terminal



QR Code Scanning Payment Terminal

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QR Code Display with Voice Announcement Function



Card Payment Terminal

Below are some case studies of how we provide customized acquiring solutions to address pain points of different industries and commerce scenarios:

- We provide cloud encryption, POS-SDK and other solutions to a top global luxury brand, integrating their cashier systems and back-office operations through APIs, creating a closed-loop payment experience. We introduced the model of delivering daily order data to the receiving banks via API, enabling the banks to provide our customer with tailored order and financial reports, achieving customized display of capital and information flow, significantly improving the efficiency of financial reconciliation for our customer.
- We provide a payment gateway API for a pharmaceutical company that enables clear expense categorization and streamlined financial reconciliation. This API integration empowers the pharmaceutical company to efficiently customize orders for prescription drugs, enhancing operational efficiency and compliance, while providing additional features such as online marketplace and group buy functions.
- We provide a tailored payment solution to property management companies, offering a streamlined POS system that encompass multiple payment scenarios and accounts, integrates with the transaction recording system and enables self-service check out and electronic invoicing, reducing their operating costs and improving operational efficiency.
- We provide a solution primarily catering to the leisure and entertainment industry enabling scheduled and real-time settlement of paychecks for employees. This solution effectively addresses the challenges associated with irregular work shifts and the necessity for timely salary disbursement in entertainment establishments.

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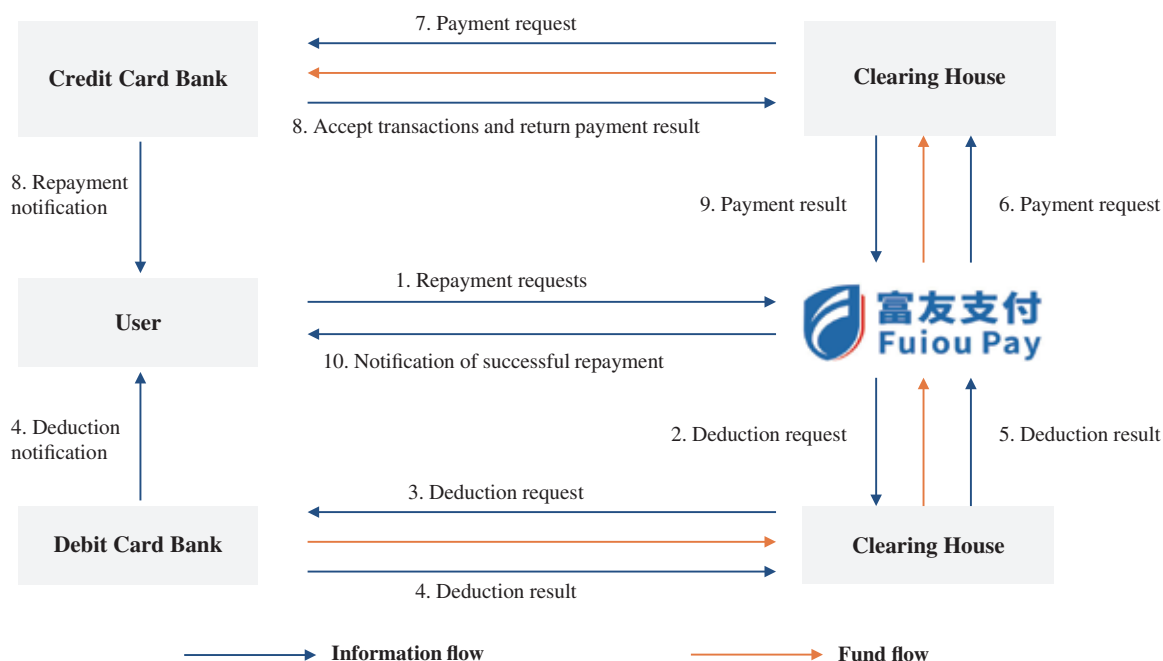
Open Platform

We also offer our acquiring services through our open platform, where our business partners, primarily including commercial SaaS providers and aggregated payment platforms, utilize our payment technology by connecting to our platform to offer payment services to merchants. In this model, merchants access our payment service through our business partner instead of our proprietary brand. We adopt this model in addition to our *Rich Boss* model to leverage the resources of our business partners, enabling us to reach more merchants and explore cross-selling opportunities.

Credit Card Repayment Services

In 2011, we were among the first to offer credit card repayment services in the integrated digital payment industry. We provide payment services to issuing banks of credit cards to support inter-bank repayment of credit cards, which allows credit card holders of an issuing bank to make credit card payments using money from their debit accounts at different banks, enhancing payment convenience. Our service enables credit card holders to make real-time repayments through various channels, such as the credit card issuing bank’s online banking and mobile banking system. Our service supports both one-time repayments and automated processing of monthly bill payments for credit card holders. With a long history of collaboration with major commercial banks in China and 24/7 operational support, we provide reliable and accessible repayment service utilized by numerous users across China. We ranked first among independent integrated digital payment service providers in China in terms of the TPV of credit card repayment service in 2024, with a market share of approximately 11.5%, according to Frost & Sullivan. We typically charge the credit card issuing bank a fixed service fee for each credit card repayment we process and/or charge at a fixed rate based on total amount of credit card repayment we process, which may differ mainly depending on the debit card bank from which the payment is made.

The diagram below illustrates the payment process and the role of each participant involved:



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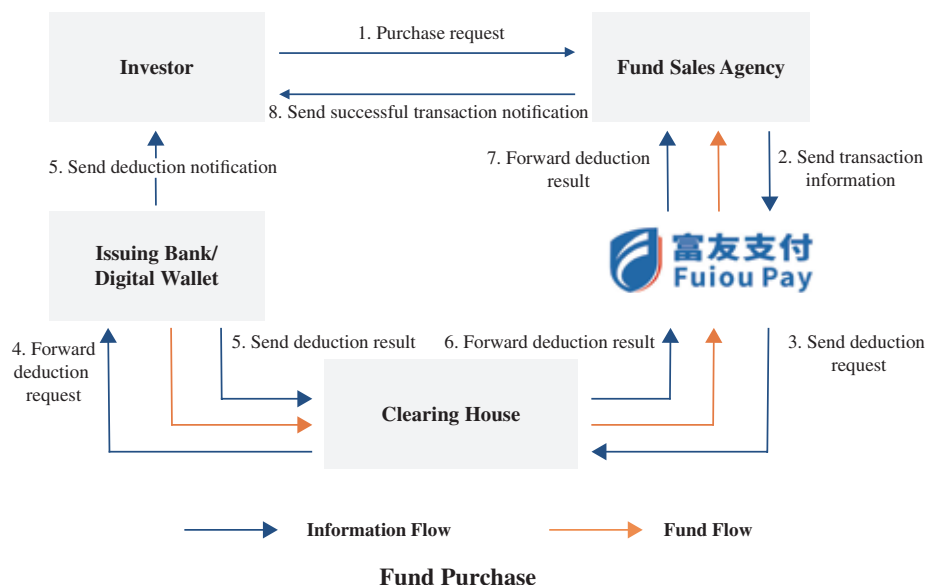
Example of Credit Card Repayment Service

Bank A utilizes our credit card repayment services to process repayments by its credit card holders. Through our interface integrated into the Bank A’s proprietary mobile banking app, the credit card bank provides repayment services to their users, who are credit card holders of Bank A. When a user needs to make a repayment, the Bank A obtains the user’s consent and authorization and then utilizes our interface to transmit the information to the clearing house for validation. Upon successful validation, the user’s debit card account is linked and the payment is processed. The clearing house notifies us, and we in turn provide the result to Bank A for account reconciliation. Funds are transferred from the user’s debit card to the clearing house, and then to us. We then settle with the Bank A, completing the repayment process.

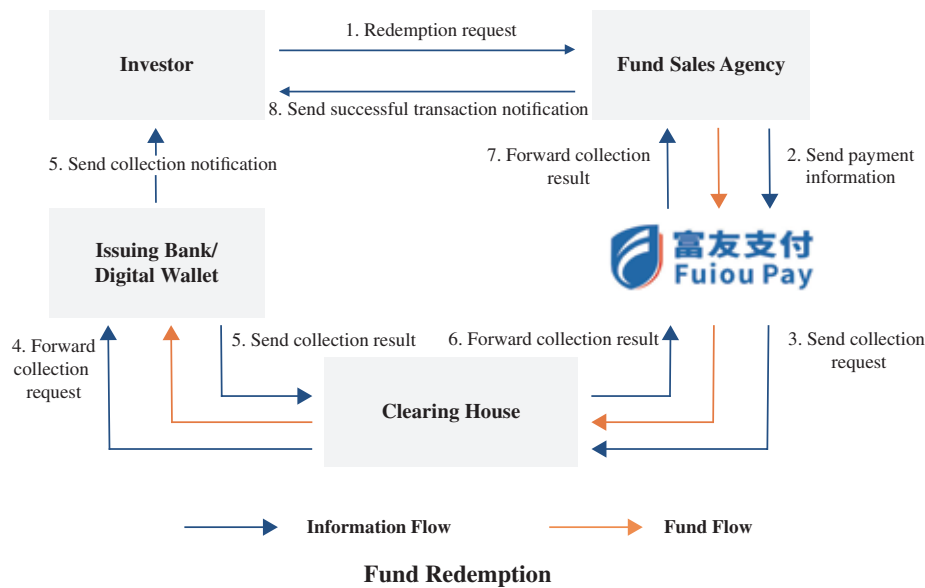
Fund Payment Services

We provide fund sales agencies, namely licensed fund management companies and fund sales companies, an integrated platform to facilitate the account opening, fund purchase, payment, redemption, dividend payout, refunds and other functions in relation to investment funds and other financial products. With stable payment channels supported by 17 major commercial banks as of December 31, 2024 and flexible transaction limits, our service ensures reliable and adaptable payment solutions for various scenarios, supporting real-time transactions. We offer customers fast, seamless implementation and require only a single integration with our system to access comprehensive functionalities. Such capabilities also allow for the development of new and tailored features and functionalities to continually meet evolving customer needs. We typically charge fund sales agencies a service fee as (i) a percentage of the transaction amount we process for investment fund payments; and (ii) a fixed service fee for each transaction we process for investment fund redemptions, depending on the type of fund and transaction.

The diagrams below illustrate the payment process and the role of each participant involved:



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Example of Fund Payment Service

We provide fund payment services to a fund sales and management company in China. When its users subscribe to fund products, we collect and processes the orders, transmitting payment information to the clearing institution and the user’s card issuing bank. With user consent, the card issuing bank transfers funds to the clearing institution, which then transfers them to our account. We transfer the funds to the fund custody account that we set up at a bank, and the funds are subsequently transferred from the custody account to the fund sales and management company’s account. For redemptions, the fund sales and management company transfers funds to our fund custody account, which we transfer to clearing institution and subsequently to the fund sales and management company’s bank account.

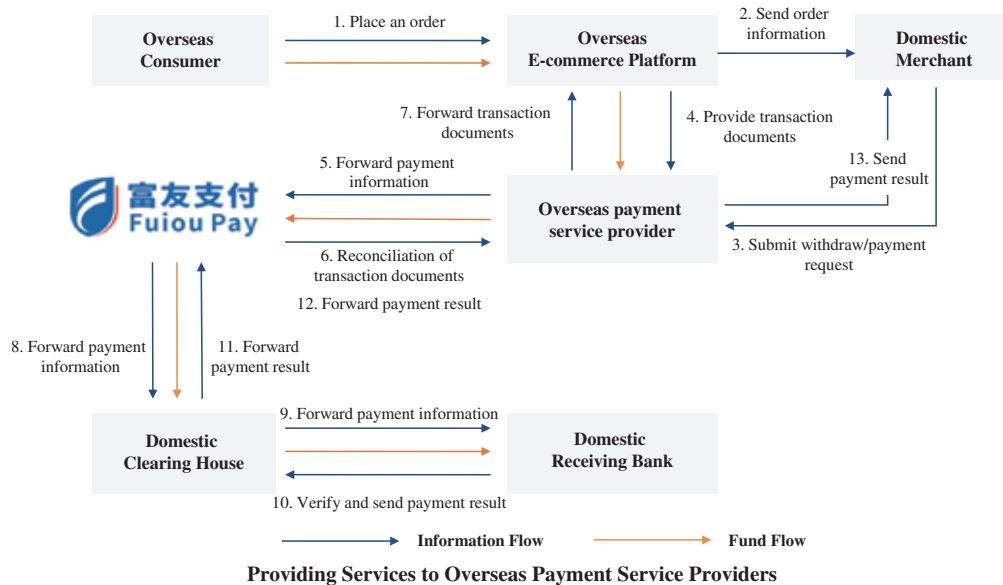
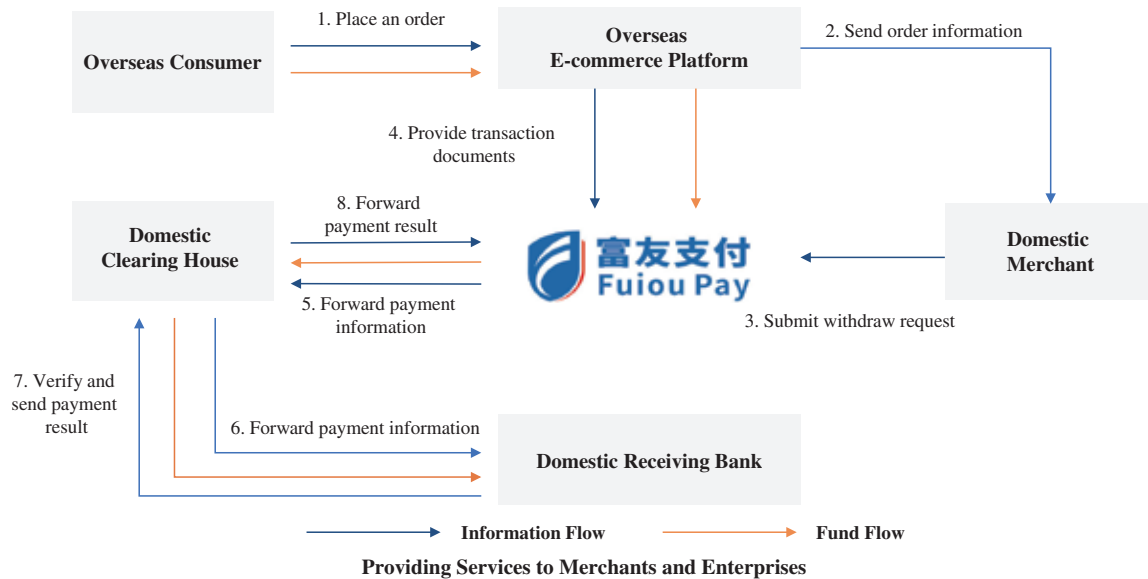
Cross-border digital payment services

We offer cross-border digital payment services to both cross-border e-commerce platforms and merchants engaged in cross-border businesses. We charge our customers, either the cross-border e-commerce platform or the merchant, a service fee for cross-border digital payments typically based on a percentage of the payment volume we process.

- ***B2C cross-border digital payment services.*** Under the B2C model, we facilitate merchants, e-commerce and payment platforms in cross-border fund settlement, foreign exchange transactions and regulatory reporting and compliance, helping them carry out their cross-border businesses effectively. We provide cross-border e-commerce transaction solutions to enable merchants on cross-border e-commerce platforms to receive their sales proceeds from overseas consumers. By seamlessly integrating our services into the e-commerce platform’s merchant management backend, we enable merchants to collect and settle cross-border funds to their domestic bank accounts. We also provide our services to and cooperate with cross-border e-commerce platforms and payment platforms who do not possess PRC payment

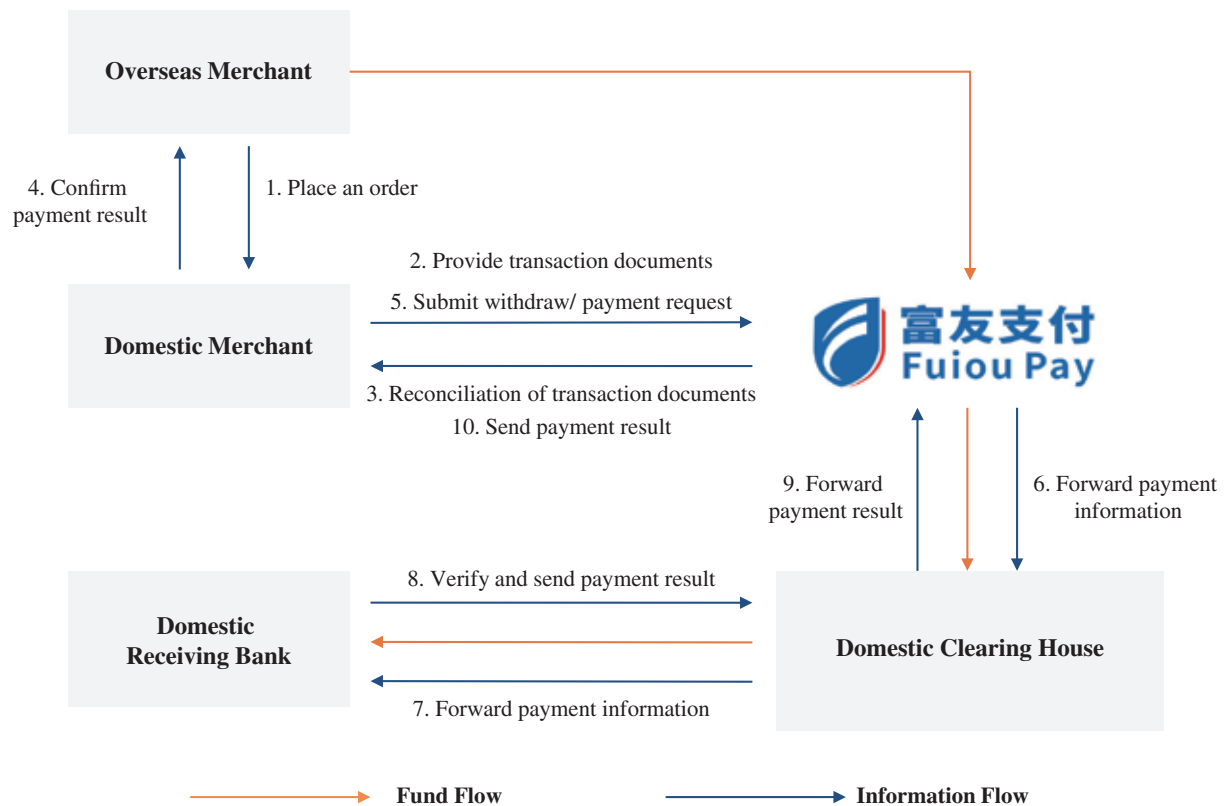
BUSINESS

settlement capabilities to help them process and settle payments to domestic bank accounts of their PRC sellers or customers. The diagrams below illustrate the payment process and the role of each participant involved:



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- B2B cross-border digital payment services.*** We enable merchants engaged in cross-border businesses to receive payment from overseas merchant customers into their domestic bank accounts. We support various payment methods, including bank transfers and electronic money orders. There is an increasing trend of PRC merchants expanding overseas, contributing to the development of our B2B cross-border digital payment service business and offering significant growth opportunities for the future. We leverage our strong, long-term partnerships with multiple domestic and overseas banks, extensive network of PRC merchants accumulated from our acquiring service and ability to quickly establish connections with international financial institutions and channel partners to expand and retain our customer base of cross-border merchants. In addition, our sales and marketing team also adopts direct marketing to obtain merchants for our B2B cross-border business. The diagram below illustrates the payment process and the role of each participant involved:



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- ***Foreign exchange services.*** We also provide global foreign exchange service to our customers often as an ancillary service to customers who use our cross-border digital payment services. We cooperate with local, regional and global banks and other financial intermediaries which assist with foreign exchange service. We leverage our long-term established relationship with our partners aiming to provide convenient services to our customers. We offer transparent pricing to customers, provide real-time currency conversion and support a variety of currencies, including RMB, USD, Euro, British Pound, Japanese Yen, Hong Kong Dollar, Canadian Dollar and Australian Dollar.

Example of B2C cross-border digital payment services

Merchant A is a Chinese seller operating a shop on the cross-border e-commerce platform Amazon. We assist Merchant A in collecting foreign currency funds from Amazon through our overseas virtual account service. Once the sales of Merchant A’s products on their Amazon shop are completed, we help Merchant A to collect foreign currency funds from Amazon through a virtual account that we provide to Merchant A. Upon receiving the funds, we consolidate them into our bank account in Hong Kong and credit them to Merchant A’s dedicated virtual account. Merchant A has the option to convert the foreign currency into RMB through our foreign exchange service and transfer the converted funds to their mainland China bank account. Additionally, Merchant A can utilize the foreign currency funds in their virtual account to pay for third-party services such as advertising and logistics through our provided payment service.

Example of B2B cross-border digital payment services

Our client, Merchant B, engages in cross-border business, operating its own independent foreign website to sell to overseas buyers. Overseas buyers make payments through their banks to our designated overseas virtual account. Upon receiving the bank notification of the incoming funds, we notify Merchant B to upload transaction documents. After the uploaded documents are reviewed and approved, Merchant B can perform offshore foreign currency exchange to RMB on our cross-border platform. When Merchant B requests RMB settlement to a domestic bank account on our platform and we approve such request, we assist merchant B in settlement through our partner bank to the designated domestic account of merchant B based on the transaction information. Simultaneously, we declare the cross-border transaction to the foreign exchange authority and relevant regulatory agencies through our partner bank.

BUSINESS

Digital Commerce-enabling Solutions

We also endeavor to address the needs of our payment service customers for improving their operational efficiency and enhancing consumer experience. With the resources accumulated through our integrated digital payment services, we have developed a wide variety of digital commerce-enabling solutions, including (i) merchant SaaS solutions, which help customers improve their operational efficiency, (ii) digital marketing services, allowing customers to effectively reach their target markets, (iii) account operation services, which cater to our customers, working capital management needs, and (iv) other solutions including PaaS and electronic invoicing services. Many of our customers for digital commerce-enabling solutions are directly acquired from the conversion of our customers for integrated digital payment services. For example, as of December 31, 2024, 72.1% of the merchants using our SaaS solutions had been converted from our integrated digital payment service customers.

Merchant SaaS solutions

We offer proprietary SaaS solutions to empower merchants in their daily operations. Adopting a standardized and modular product development approach, we can achieve fast product iteration cycles and substantial economies of scale with our SaaS offerings. We have integrated scenario-specific functionalities into various merchant SaaS solutions that supports our payment services under our *Rich Boss* system. Through our merchant SaaS solutions, we offer a variety of intelligent business solutions tailored to industry verticals. We typically charge a fixed subscription fee for the use of our software. Our merchant SaaS solutions offer comprehensive functionalities including our (i) smart cashier system, (ii) supply chain management system, (iii) membership management and marketing system and (iv) restaurant ordering system.

For example, a fast food chain in China with thousands of stores nationwide that uses our acquiring services also utilizes our smart cashier system for order management and multi-store management, our restaurant ordering system to streamline its ordering process as well as our membership management and marketing system to manage its members base and implement promotional activities.

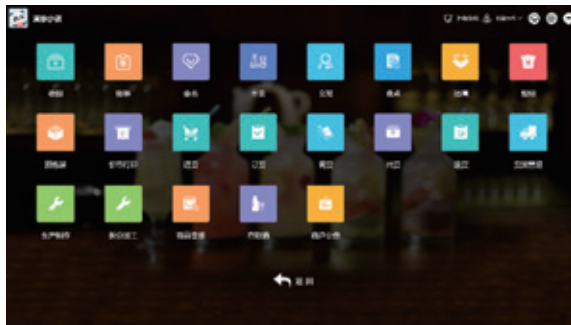
We have incorporated AI-driven innovations in our merchant SaaS solutions, including AI-powered produce recognition via cameras on scales, automating fruit and vegetable identification to enhance checkout efficiency; photo-based menu digitization, enabling instant menu entry through AI recognition of dishes and prices; and AI-enabled skewer counting, streamlining payments for skewer-based dining by accurately tallying items via photo analysis. Ongoing projects include AI customer service and smart inventory replenishment, leveraging sales data and AI algorithms to optimize stock levels and reduce waste. These advancements aim to boost our customer’s operational efficiency, accuracy and user experience.

BUSINESS

Smart cashier system

Building upon our acquiring services, we also designed a comprehensive range of digital features for restaurant, retail and other businesses that can be utilized in conjunction with our payment services for enhanced functionality and operational efficiency. For example, the system comprises a smart ordering system which supports QR code ordering, digital order management, delivery service management, and synchronizes order status from multiple stores and delivery platforms. It also facilitates multi-store management of restaurants and retail businesses and presents comprehensive data analysis and reports for better business management and planning.

Below illustrates the merchant interface for our smart cashier software:



Multiple Functions Available



Table Availability Management



Order Management



Multiple Payment Methods

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Below illustrates some examples of the data analysis and operating metrics accessible to merchants through our system:

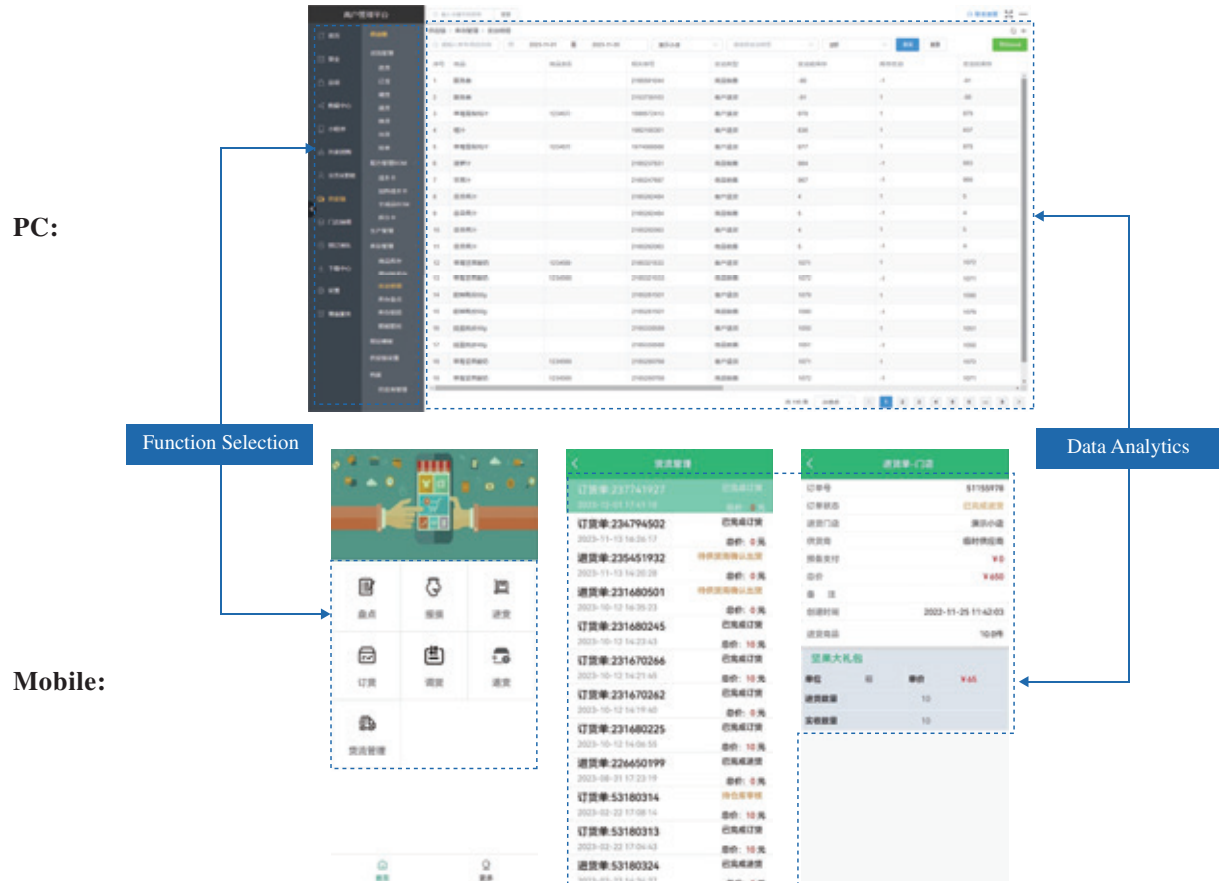


Supply chain management system

We provide a comprehensive solution for helping merchants manage their supply chains. It includes features such as production and logistics management and monitoring, raw materials and product management, inventory tracking, procurement and ordering, product exchange and return management, supply chain data analytics. These functionalities assist merchants in effectively managing their supply chain operations, optimizing inventory levels, streamlining procurement processes, and facilitating efficient logistics management.

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Below illustrates features of our supply chain management platform from the perspective of merchants:



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Membership management and marketing system (雲掌客)

We provide a complete solution for merchants to handle various aspects of membership management. It includes features such as membership registration, membership levels, member top-up capabilities, membership marketing tools, and membership reporting. This product enables businesses to efficiently manage their membership programs, track member activities, implement targeted marketing campaigns and generate insightful reports for analyzing membership performance.

Below illustrates features of our membership management platform from the perspective of merchants:



BUSINESS

Restaurant ordering system (點餐寶)

Our restaurant ordering system is a product specifically developed for restaurants to assist customers with mobile ordering in dining scenarios. It offers a range of features including placing orders, adding and removing dishes, adding special requests, applying discounts or complimentary items and making payments. These functionalities aim to streamline and enhance the efficiency of the ordering process in busy restaurant environments. Below illustrates features of our restaurant ordering system from the perspective of restaurant staff:



Input Number of Guests

Product Selection

Selected Products Display

Consumption Amount Calculation and Coupons Selection

Checkout and Payment Method Selection

Digital Marketing Services

Leveraging insights derived from payment services, we have developed a range of payment-based marketing services on which we offer various marketing and promotional tools for both merchants and certain financial institutions to attract, engage and interact with their customers.

We offer digital marketing services to merchants such as location-specific promotions on WeChat, cross-store marketing through vouchers and offline redemption of vouchers from platforms such as Douyin. We also provide in-store QR code coupon redemption and member interactions through WeChat activities and red packet giveaways. Our digital marketing services aim to drive and leverage consumer traffic, attract new consumers and enhance consumer engagement for merchants.

We offer digital marketing services to financial institutions such as banks, including offering cashback and coupons for users that bind their bank cards to e-wallets for the first time, facilitating collaborations between banks and merchants by offering vouchers or discounts to consumers when they use designated bank cards to make payments both in-store and online, and other promotions and rewards to increase user engagement and card usage.

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For example, a nationwide commercial bank partnered with us to enhance cardholders’ spending frequency through a targeted marketing campaign. We assisted the bank in expanding the network of participating merchants and conducting promotional campaigns where cardholders were eligible for discounts or vouchers when they use our partner bank’s cards for payments via other digital payment platforms at participating merchants.

In another example, an advertisement agency partnered with us, providing us with advertising content of their clients, who are businesses aiming to promote their brands. We display such advertising content to users upon their successful payment when they make payments through our platforms via WeChat or Alipay.

We charge a service fee for our digital marketing services typically based on CPM (cost per mille) model, where advertising is paid on one thousand impressions of the advertisement.

In addition, we also provide loan referral services for banks, where we display loan advertisements on our systems utilized by merchant clients. These advertisements are visible to merchants who use our payment services when they log into their accounts on our platform, referring potential customers to our partnering banks for loan services. The merchants would be able to select their desired loan product on our platform and be transferred to the corresponding bank’s interface to complete and submit their loan application. We typically charge the banks a CPS (cost per sale) fee based on the loan amount, according to the agreement we have with the partnering bank.

Account Operation Services (富管家)

We offer a comprehensive account operation system based on and in conjunction with our *Rich Boss*’ cashier system and software, providing a tailored one-stop account operation solution for customers primarily including enterprises, chain businesses, e-commerce merchants and banks. Our account operation solution streamlines and facilitates complex processes faced by our customers such as managing accounts, bookkeeping, billing and account inquiries. For example, we provide certain customers with a bookkeeping system that enables our customers’ transaction members, including businesses and individuals registered on their platform, to engage in various transactions seamlessly. The services provided encompass account opening, record-keeping, billing, and account inquiries. Additionally, we facilitate identity verification processes during the account opening process to ensure the authenticity of our customers’ transaction members. We also offer technical support, training, and consultation services to assist our customers in using the system effectively. We typically charge a combination of fixed annual subscription fee, system access fee and transaction fees based on the specific usage scenarios.

BUSINESS

Other Solutions

PaaS

We provide software and payment technology solutions for financial institutions, where we develop and build tailored payment software and systems according to the specific needs of the financial institution. We also provide technology empowerment solutions to other payment institutions and technology enterprises to share our unique technological capabilities, encompassing acquiring, transaction data processed, IT and data related technologies. We typically charge customers a one-time project fee for each engagement and ongoing subscription and system maintenance fees.

For example, we established a partnership with a joint-stock bank in China to provide our PaaS solution. We developed a digital acquiring system for the bank with tailored functionalities for industry-specific application scenarios based on the needs of the bank. We provide regular system maintenance and technical support to the bank, and the system has been operating smoothly for years.

Electronic Invoicing

We also provide electronic invoicing services primarily for merchants, facilitating their customers to generate invoices electronically at their convenience following payment simply by scanning a QR code. This eliminates the hassle and potential errors associated with manual creation of traditional invoices. Our electronic invoicing system seamlessly integrates with the merchant’s payment system, providing enhanced convenience, streamlining invoice management and reducing operational costs. We typically charge customers a fixed annual fee for utilizing our electronic invoicing system.

For example, we provide electronic invoicing services to a restaurant chain in China who utilizes our cashier system and POS machine for processing. When customers require an invoice, the restaurant generates a QR code either through the POS machine or cashier system, or electronically sends a QR code to the customer. Customers can conveniently scan the QR code using WeChat or Alipay, enter the necessary invoicing details, and automatically receive an invoice on their designated phone number or email address.

OUR BUSINESS PARTNERS

We have built a wide network of partners that support our digital payment and commerce-enabling services. Our partners help deliver differentiated and increased variety of experience for our customers. We have established strategic partnerships with various types of business partners, primarily including banks, clearing institutions and payment networks, e-commerce platforms, and SaaS providers and aggregated payment platforms.

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Banks

Our partnerships with banks are instrumental in providing the necessary payment infrastructure and channels for our customers. As of December 31, 2024, we collaborated with 93 global banks to ensure seamless, efficient and secure facilitation of payments.

The commercial banks deduct processing fees, which are typically equal to a certain percentage of the payment volume which are negotiated on a case-by-case basis. The confidentiality term of our agreements with commercial banks required both parties to adopt adequate security procedures and take reasonable precautions to prevent the misuse, unauthorized or inadvertent disclosure, or loss of confidential information and ensure information security during transactions. Commercial banks may terminate the agreements or seek damages under certain circumstances specified in our agreements, such as if (i) we misuse or fail to protect customers’ information, (ii) we or our merchant clients engage in activities that violate laws, regulations or relevant provisions, or (iii) we lose our payment licenses. Our agreements with commercial banks typically have a term of one to three years subject to automatic renewal, absent written objection from either party. Our agreements with commercial banks usually subject us to the responsibility of screening merchant customers and their payment transactions to ensure their authenticity. Under such agreements, we are typically required to establish transaction authenticity verification systems to monitor fraudulent payments on a real-time basis. We are typically required to assume any losses arising from fictitious merchants or payment transactions.

We provide software and payment technology solutions for banks, where we develop and build tailored payment software and systems according to the specific needs of the banks. We have jointly established a financial technology laboratory with the head office of a major PRC bank, focusing on customer-centric digital solutions for the advancement of smart city initiatives. Our joint efforts involve agile integration of resources, innovative research, and customized implementation to provide competitive, diverse, and tailored financial technology and digital solutions to customers. By leveraging our respective strengths, we work together to attract and serve customers, ensuring mutual benefit and success.

In addition, we collaborate with certain of our partner banks to provide payment services to merchant clients. We provide payment services such as acquiring services for selected merchants who open accounts with our partner banks and designate such accounts for payment settlement. In this model, our partner banks are our customers and payment processing fees are paid by merchants to us through the banks while we charge the banks promotion fees based on the account balances of such merchant clients, achieving a mutually beneficial collaboration that leverages our respective resources and strengths.

Clearing Institutions and Payment Networks

Leveraging our global license portfolio and underlying technological capabilities, we have built a broad payment network that connects major global card organizations such as Visa, Mastercard, American Express, JCB and Diners Club, Chinese clearing institutions such as UnionPay, NetsUnion and Liantong, providing customers with seamless, reliable payment services and comprehensive digital commerce-enabling solutions. Our partnership with clearing institutions and payment networks enables us to facilitate funds settlement services in China and globally. We collaborate with international card organizations

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to tap into their global payment facilitation network, which allows us to directly facilitate foreign card transactions. In addition, our robust risk control system and compliance record has received recognition from our partners, strengthening our collaboration.

The clearing institutions provide their own clearing system hardware and software platform for us to process funds and ensure the security of such systems. The clearing institution deducts a processing fee based on transaction value for each payment processed by them. The clearing institutions are entitled to request for a deposit, based on our credit rating and clearing status. Our agreement with clearing institutions typically require us to (i) verify merchants’ identity and operations, ensuring compliance with regulations and promptly notifying the clearing institutions of any changes to merchant information to avoid disputes; (ii) ensure the legality and accuracy of order information provided by merchants and maintain transaction records for a specified time period; (iii) settle funds with merchants on time as agreed, refraining from misappropriating settlement funds; (iv) ensure merchants do not engage in illegal activities such as credit card cash advances or money laundering, monitor transactions for compliance and be responsible for any related liabilities; (v) authorize the collection and reasonable use of merchant information and transaction data by the clearing institutions to enhance services for both merchants and themselves. The clearing institutions are entitled to monitor and inspect various aspects of our business operations, including risk management, accounts information and data security. If we fail to meet such standard, or to address the deficiencies or potential risks within a specified period, clearing institutions are entitled to suspend its services or revoke our membership. The clearing institutions are also entitled to unilaterally terminate the agreements in the event that (i) we utilize their system and services for any illegal purpose, (ii) we engage in any activities that violate the laws, regulations, and relevant provisions, (iii) our actions are detrimental to clearing institutions’ brand and reputation, or (iv) we are incapable of performing our obligations as a result of the commencement of winding-up proceedings or loss of our license or other payment qualifications.

E-Commerce Platforms

We work closely with e-commerce platforms. Our e-commerce partners include major global e-commerce platforms such as Amazon. We collaborate with e-commerce platforms to provide cross-border e-commerce transaction solutions to enable merchants on such platforms to receive payment from overseas consumers. We partner with e-commerce platforms who provide important avenues for our merchant clients who operate on e-commerce platforms to market their products and services. By integrating our services with these platforms, we enable e-commerce merchants to access a vast customer base and expand their reach globally.

The key terms of the agreements with major global e-commerce platforms typically include each party’s obligations and rights, and termination terms. According to the agreements, we provide foreign exchange and cross-border settlement services to enable the e-commerce platforms to make payments to China-based sellers operating on their platform, while the e-commerce platforms make us available as a third-party payment service provider to such merchants on their platforms. We are required to provide services to the merchants thereon with compliance with all applicable laws and regulations. We usually do not charge e-commerce platforms for providing services to their merchants, while we directly charge

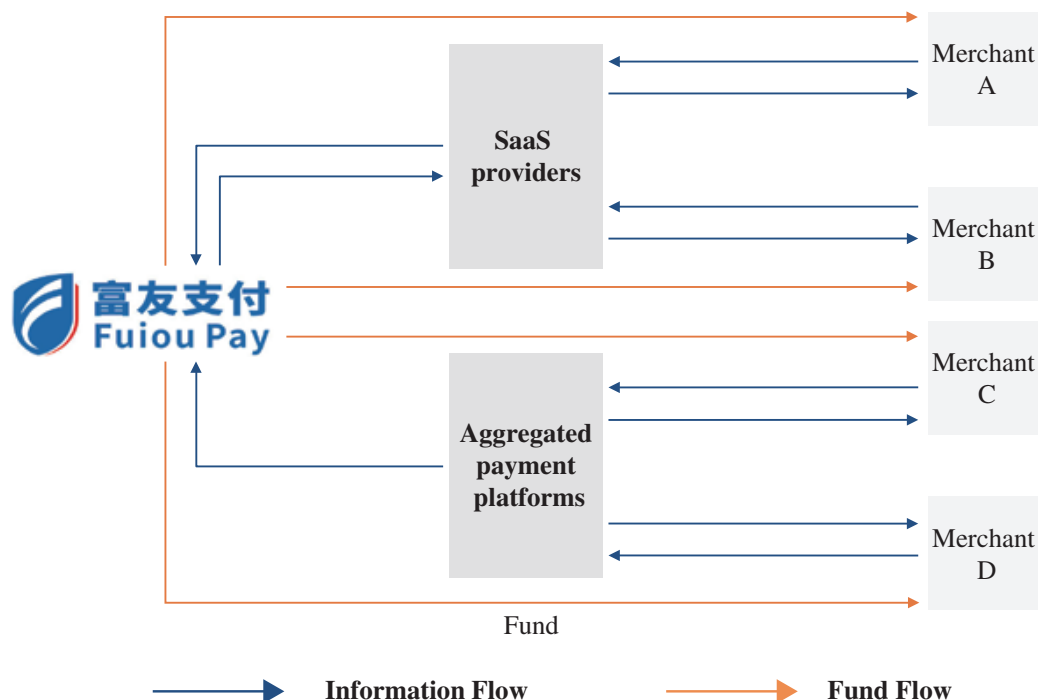
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the merchants a fee when merchants use our services. We usually pay the e-commerce platforms service charges in the form of certain recurring fixed fees or revenue sharing fees based on a percentage of our TPV generated from the cross-border settlement and foreign exchange services we provided through their platforms. The duration of our agreements are typically three years with automatic one-year-term extensions thereafter. The e-commerce platform may terminate with 30 days’ prior notice at the end of the initial term or any extension terms. We may terminate for any reason after the initial term with one year’s prior written notice. Each party may terminate for cause as specified in the agreement at any time.

SaaS Providers and Aggregated Payment Platforms

We collaborate with commercial SaaS providers and aggregated payment platforms, namely payment software solution providers that integrate multiple payment methods and channels into a single system, through our *Rich Boss* or open platform, enabling merchants to access our payment services through these partners.

Commercial SaaS providers and aggregated payment platforms act as both our business partners and channel partners. As our business partners, by providing software services to connect merchants to our platform, they provide merchants with seamless access to our comprehensive suite of services, enabling them to process payments all within a singular interface from multiple sources, including credit cards, digital wallets and bank transfers. This integration not only simplifies the payment process for merchants but also enhances their ability to track and manage financial transactions. This partnership model allows us to reach a wider range of merchants and explore cross-selling opportunities. In addition, as our channel partners, they help promote our services to merchants and facilitate contract signings, payment enforcement, merchant management, hardware installations, technical training, inspections and risk management. See “– Sales and Marketing – Channel Partners.” Commercial SaaS providers and aggregated payment platforms need to collaborate with us because, as a non-bank payment institution with a Payment Business Permit, we can provide payment services to merchants, whereas they cannot offer these services independently. The table below sets forth the business flow chart for our collaborations with them:



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We typically enter into one-year agreements with commercial SaaS providers and aggregated payment platforms. We pay them service fees based on negotiations upon the satisfactory performance of their obligations. The SaaS provider or aggregated payment platform must (i) ensure their merchant expansion activities do not contravene laws or regulations or constitute false advertisement or deceptive practices, (ii) provide us with authentic merchant documents and account information, (ii) promptly address any complaints from merchants and handle daily maintenance of merchants effectively, (iii) ensure merchants associated with them do not engage in illicit conduct and bear responsibility for any losses resulting from conduct by their merchants, and (iv) safeguard sensitive customer information and follow data security protocols provided by us. Failure to comply with the above or other obligations specified in the agreement may result in us unilaterally terminating the agreement and withholding service fees until losses are compensated.

In addition, we provide standardized technology components and solutions to these partners, facilitating the sharing of our unique technological capabilities. See “– Our Businesses – Digital Commerce-enabling Solutions – Other Solutions.” This collaborative approach fosters innovation and growth in the payment industry and our ecosystem by combining resources and expertise.

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Movements and Commissions

The following table sets forth the number of our business partners and their movements for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
Number of business partners at the beginning of the period			
– Banks	25	45	95
– Clearing Institutions and Payment Networks	3	5	7
– E-Commerce Platforms	3	3	2
– SaaS Providers and Aggregated Payment Platforms	555	595	725
Number of new business partners for the period			
– Banks	20	50	3
– Clearing Institutions and Payment Networks	2	2	–
– E-Commerce Platforms	–	–	–
– SaaS Providers and Aggregated Payment Platforms	67	185	217
Number of terminated business partners for the period			
– Banks	–	–	5
– Clearing Institutions and Payment Networks	–	–	–
– E-Commerce Platforms	–	1	–
– SaaS Providers and Aggregated Payment Platforms	27	55	91
Net increase/(decrease) in number of business partners for the period			
– Banks	20	50	(2)
– Clearing Institutions and Payment Networks	2	2	–
– E-Commerce Platforms	–	(1)	–
– SaaS Providers and Aggregated Payment Platforms	40	130	126
Number of business partners at the end of the period			
– Banks	45	95	93
– Clearing Institutions and Payment Networks	5	7	7
– E-Commerce Platforms	3	2	2
– SaaS Providers and Aggregated Payment Platforms	595	725	851

Notes:

- (1) New e-commerce platforms, SaaS providers and aggregated payment platforms refer to those for whom an identification number was registered in our business system in a particular year. New banks, clearing institutions and payment networks refer to those with whom we entered into an agreement for the first time in a particular year.
- (2) Terminated e-commerce platforms, SaaS providers and aggregated payment platforms refer to those for whom an identification number was canceled in our business system in a given year. Terminated banks, clearing institutions and payment networks refer to those whose agreements expired and were not renewed in a particular year.

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To the knowledge of our Directors, except for disclosed in “– Our Suppliers”, no other past or present relationships (business, employment, financing, family, trust or otherwise) existed between each of the banks, clearing institutions, payment networks e-commerce platforms and the ten largest SaaS providers and aggregated payment platforms we cooperated with in each year of the Track Record Period and our Company or subsidiaries, their directors, shareholders or senior management, or any of their respective associates.

The following table sets forth the range and average of our commission rates charged by business partners for the periods indicated:

		Year ended December 31,		
		2022	2023	2024
Processing Fees Deducted by Banks, Clearing Institutions and Payment Networks⁽¹⁾⁽²⁾	Range	0.0085%-1.9300%	0.0060%-2.3000%	0.0061%-2.0200%
	Average	0.1169%	0.1356%	0.074%
Service Fees Paid to E-Commerce Platforms⁽³⁾	Range	0.1%-0.3%	0.1%-0.3%	0.1%-0.3%
	Average	0.17%	0.17%	0.20%
Service Fees Paid to SaaS Providers and Aggregated Payment Platforms⁽⁴⁾	Range	0.0007%-0.7600%	0.0002%-1.1300%	0.0002%-0.9300%
	Average	0.0955%	0.0941%	0.0914%

Notes:

- (1) The processing fee rate is calculated by dividing the processing fee paid to a specific partner in a given period by the payment volume processed by that partner in that period. The processing fee rate is dependent on the various payment products and industries involved and relevant government regulations, resulting in the wide range of processing fees during each period of the Track Record Period. Such processing fees are not recorded as our cost of sales.
- (2) Processing fees charged by the clearing institution and issuing banks are subject to government regulations. See “Regulatory Overview – Regulations Relating to Payment Services of Non-Bank Payment Institutions – Regulations on Bankcard Acquiring Business.” Changes in the regulations may lead to the increase of these fees. See “Risk Factors – Changes to the regulations on pricing mechanism may adversely affect our financial condition and results of operations.”
- (3) The service fee rate paid to e-commerce platforms is calculated by dividing the service fees paid to a specific platform in a given period by the TPV generated from services we provided through that platform in that period. The service fee rate is negotiated with each partner on a case-by-case basis, taking into account the services and requirements the partner specifies, its transaction volume and future growth potential, and our business relationship with it. The wide range of service fees during each period of the Track Record Period is primarily due to the diverse business models, settlement structures and revenue models of the e-commerce platforms we cooperated with. Each e-commerce platform has unique requirements and demands tailored services from us, which results in varying fee structures.
- (4) The service fee rate paid to SaaS providers and aggregated payment platforms is calculated by dividing the service fees paid to a specific partner by the TPV generated from the services we provided through that partner in that period. The service fee rate is negotiated with each partner on a case-by-case basis, taking into account the types and sizes of merchants the partner serves, its transaction volume and future growth potential, and our business relationship with it. The wide range of service fees during each period of the Track Record Period is primarily due to the different types and sizes of merchants served by them. For example, the business partners primarily serving key accounts (KAs) charge relatively lower transaction fee rates, leading to our low service fee rates, whereas those primarily serving small and micro merchants charge relatively higher transaction fee rates, leading to our high service fee rates.

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OUR TECHNOLOGY AND RESEARCH AND DEVELOPMENT

Research and Development

Our strong in-house research and development capabilities are the foundation of our continued success. As of December 31, 2024, we had two R&D centers located in Shanghai and Wuhan which are responsible for our internal product development, implementation and iteration. As of December 31, 2024, we had 185 research and development personnel, representing 36.3% of our total employees. Our R&D team comprises professionals with expertise in system development, infrastructure, big data, AI, system functioning, IT management, and operation and maintenance.

We are planning to invest further in our research and development capabilities and expand our research and development team to support our business development and maintain our technological advantages. Our previous research and development initiatives include improving and upgrading our infrastructures, such as account management system, private cloud technologies and information security. Our ongoing R&D initiatives focus on leveraging AI and machine learning technologies to enhance operational efficiency, security and customer experience. These include AI-powered customer service to improve client interaction and reduce costs; automated merchant approval systems, streamlining and digitalizing merchant onboarding processes for higher accuracy and efficiency; AI-driven anti-fraud models, enabling real-time transaction monitoring and risk analysis to strengthen payment security; and exploring new payment technologies to stay at the forefront of the evolving payment landscape. In 2022, 2023 and 2024, our research and development expenses amounted to RMB53.8 million, RMB56.9 million and RMB60.7 million, respectively.

Our Technology Platform

Our proprietary technology platform embeds stable, secure and flexible systems to support our business operation. Moreover, our technology platform is highly scalable, which allows us to quickly support new industries and new business scenarios according to evolving needs, enabling us to continuously innovate our services and expand our customer base. We have implemented a modular and plugin-based development approach for our payment system, resulting in the creation of numerous functional modules and subsystems. This approach has significantly enhanced our research and development efficiency, enabling rapid iteration, product innovation and business expansion. To meet the diverse digital needs of customers in increasingly complex transaction scenarios, we continuously innovate based on our technology platform, efficiently conducting product research, development and deployment with fast iteration cycles.

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Leveraging advanced technologies such as AI, big data and cloud computing, we have built a proprietary payment technology platform integrating stability, security, efficiency and convenience.

- We have created a versatile data warehouse infrastructure to meet diverse operational demands. Specifically, (i) we have implemented a real-time data warehouse by harnessing the power of advanced big data technologies; (ii) we have developed a distributed query data warehouse by utilizing cutting-edge distributed database technologies, to enhance the efficiency of transactional and clearing searches within our platform; and (iii) we have utilized sophisticated data processing platforms to conduct comprehensive offline analysis and profiling on business data, providing valuable insights for our front-end business activities. Based on these, we built a centralized data platform with a robust big data infrastructure, unifying and enriching data from multiple sources to provide accurate, comprehensive insights. By leveraging advanced AI algorithms, it enables predictive analytics, proactive marketing and personalized campaigns, ensuring data-driven decision-making and optimized strategies.
- We have trained an intelligent service platform with a vast array of merchant queries and their corresponding answers, significantly expediting response time to customer inquiries and reducing operational costs.
- We have strategically adopted leading cloud services and content delivery network products to achieve accelerated and stabilized access traffic as well as efficient data computation.

We have built systems and platforms supporting each of our business and service offerings. In particular, our QR code payment/acquiring system is a robust and scalable platform that supports multi-channel payment services and various value-added services such as facial recognition payments and digital currency payments. The system is designed to process over 50 million transactions on average daily. It has a peak processing capacity of approximately 5,000 transactions per second and an average processing time of 0.01 seconds per transaction, both topping industry average according to Frost & Sullivan. The system is designed to handle a large volume of data efficiently using a cluster of interconnected databases, enabling it to quickly process and retrieve information. Our system operates continuously across two geographically dispersed server centers, ensuring availability 365 days a year and 24 hours a day. It is equipped with automatic error correction capabilities and achieves a remarkable operational reliability rate of 99.999%,

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providing a secure, convenient, and efficient environment for commercial transactions and fund transfers. Our core proprietary technologies that collectively support secure and efficient transaction processing, data storage, system monitoring, and risk management primarily include the following:

Technology	Functions	Application Scenarios
Network Interface Technology	Provides standardized or customized access capabilities for external institutions, including payment gateways, aggregation of payment interfaces, and merchant interfaces using secure protocols.	Primarily utilized across our QR code payment/acquiring system, account operation system, online integrated digital payment system, credit card repayment system and cross-border digital payment system to provide network interface integration.
Traffic Control Technology	Ensures stable transmission of business requests through web application load balancing and traffic control.	Utilized across all external systems to ensure system security.
Distributed Data Storage Technology	Handles high-concurrency scenarios, storing preloaded or time-sensitive cached data for scalable transactional databases.	Primarily utilized in our acquiring services to realize the efficient query and inventory of large-scale acquiring data.
Clearing Data Integration and Processing Technology	Integrates with clearing institutions, enabling transaction verification and fund settlement through internal account clearing systems.	Primarily utilized in our accounting system during clearing and settlement to complete the clearing and settlement of funds.
Centralized Data Storage Technology	Long-term, centralized storage of data such as user information and historical transactions to facilitate analysis of historical data and risk analysis.	Utilized across all business systems to collect data for data analysis purposes.
Message Service Technology	Enables message queue publishing and subscription, supporting asynchronous decoupling and data synchronization.	Primarily utilized in our QR code payment/acquiring system for asynchronous notification and settlement, ensuring high performance and stability of online transactions.

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Technology	Functions	Application Scenarios
Microservices Technology	Separates middleware technology from business processes, achieving scalable and automated software delivery and maintenance.	Utilized across all internal systems to decouple business system functions, ensuring the efficiency and stability of service iterations.
Information System Monitoring Technology	Provides real-time monitoring, alerting, logging, and tracing capabilities for software operations by our personnel. It combines multiple data metrics to obtain correlation analysis capabilities for continuous optimization of business health and user experience.	Utilized across all business systems to monitor traffic, system resources, and transaction success rate, providing real-time monitoring of transaction stability.
Network Security Technology	Ensures network security with firewalls, authentication, encryption, and access control using various protocols and algorithms.	Utilized across all business systems to block unauthorized traffic and enforce authentication, encryption and access control.
Transaction Risk Management Technology	Implements real-time transaction monitoring and anti-money laundering measures to manage and control risks in business operations.	Utilized across all business systems for risk-control transaction monitoring prior to acceptance and for anti-money-laundering analysis and monitoring of completed transactions

BUSINESS

AWARDS AND RECOGNITION

Over the years, we received a number of awards and recognition for our achievements and innovation in China’s digital payment industry. Some of the notable ones are set forth below:

Award/Recognition	Year	Award Institution/Authority
Shanghai Software Core Competitiveness Enterprise	2024	Shanghai Software Industry Association
Outstanding Contribution to Payment Services Innovation Award	2024	American Express
Member Unit of the Technology Alliance for Combating New Telecommunication Network-related Illegal and Criminal Activities	2024	Shanghai Public Security Bureau Pudong Branch
Mastercard NetsUnion Inaugural Acquiring Partner	2024	Mastercard Netsunion
Top 100 Shanghai Software and Information Technology Enterprise	2020; 2021; 2022; 2023; 2024	Shanghai Municipal Commission of Economy and Informatization
China Commercial Information Industry Gold Service Provider of the Year	2023	Organizing Committee of China Commercial Information Industry Conference
Excellence Contribution Partner of the Year	2023	American Express
Outstanding Acquiring Partner Award China Region	2023	Visa
Member Unit of Shanghai Information Service Industry Association	2022	Shanghai Information Service Industry Association
Council Member of Payment & Clearing Association of China	2022	Payment & Clearing Association of China
Outstanding Cross-Border E-Commerce Payment and Financial Enterprise	2022	Organizing Committee of Shenzhen International Cross-Border E-Commerce Trade Fair
Best Support Partner Award	2022	Huawei Global Finance
Best Acquiring Business Award of the Year	2021	Mastercard
Outstanding New Acquiring Business Partner of the Year	2021	VISA
Acceptance Market Cooperation Contribution Award	2021	China UnionPay

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Award/Recognition	Year	Award Institution/Authority
Influential Acquiring Brand Enterprise of the Year	2021	PayCircle
Outstanding Financial Technology Institution	2021	WeMoney
Best Financial Technology Innovation Service Award	2019	China UnionPay

OUR CUSTOMERS

Our customers primarily include merchants and financial institutions. Our major customers primarily consist of financial institutions due to their significant transaction volumes and service needs, whereas our merchant client base, though extensive, contributes relatively lower revenue per client. Financial institutions primarily include commercial banks and other licensed financial institutions. Merchants primarily engage in online and offline retail and restaurant businesses and transact with end-buyers and consumers. The Directors are of the view that the industry concentration risk for our merchant clients under the integrated digital payment services is low, given that our merchant client portfolio spans multiple industries, with the top five industries we served in 2022, 2023 and 2024 representing approximately 68%, 69% and 71% of our total merchant clients under the integrated digital payment services, respectively.

The Joint Sponsors concur with the view of our Directors above based on the following due diligence work performed:

- (i) Conducting interview with the management of our Group to understand, among other things, the business model of our integrated digital payment services sector and the type of merchant clients primarily engaged under this model;
- (ii) Conducting interviews, on a sampling basis, with certain merchant clients under the integrated digital payment services sector to understand, among others, (a) background of the merchant clients (including their basic corporate information, core business activities, and the industry where they operate), (b) business relationships between the Company and such merchant clients, and (c) relationships between such merchant clients and the Group, in particular, whether such merchant clients are independent from the Group;
- (iii) Obtaining and reviewing relevant documents showing the total number and proportion of merchant clients under our integrated digital payment services sector by industries, among others, (a) a control list setting out all of our merchant clients operating in different industries, and (b) service agreements between the Company and such merchant clients on sampling basis;

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- (iv) Conducting independent desktop searches on what are the industries that each of the relevant merchant clients operates in to compare against the relevant information obtained from the merchant clients and the Company in item (ii) and (iii) above, respectively, and ensuring that the information obtained is consistent with the search results;
- (v) Obtaining confirmation from Frost & Sullivan that it is a market norm that the merchant client portfolio of integrated digital payment service providers might concentrate in certain industries; and
- (vi) Conducting due diligence inquiries and discussions with Frost & Sullivan to obtain an understanding on, among other information:
 - (a) the background, experience and credentials of Frost & Sullivan, as well as the professional qualifications of relevant industry consultant personnel; and
 - (b) the methodology and approach adopted for conducting their primary and secondary research, including but not limited to the research methods, scope and coverage, number, background and selection criteria of interviewees in retrieving the industry data.

The following table sets forth the breakdown of revenue and TPV from our aggregated acquiring services by major industries of our customers for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	TPV (RMB in billion)	Revenue (RMB in thousand)	TPV (RMB in billion)	Revenue (RMB in thousand)	TPV (RMB in billion)	Revenue (RMB in thousand)
Catering	121.4	132,663.0	210.5	224,575.3	260.1	272,092.1
Leisure and Entertainment	80.6	103,044.8	118.3	148,134.4	126.1	152,544.1
Automotive, Motorcycle, Fuel and Spare Parts						
Specialty Retail	104.3	96,034.5	102.7	92,002.4	90.6	79,099.4
General Retail	74.9	80,712.2	96.0	92,621.2	112.0	98,886.9
Textile, Clothing and Daily Necessities						
Specialty Retail	72.8	67,303.9	121.9	119,040.8	114.0	102,133.9
Food, Beverages and Tobacco Products						
Specialty Retail	47.0	46,572.6	59.7	57,815.6	65.7	62,016.8
Commercial Services	30.7	39,180.1	56.9	70,665.7	83.0	94,099.1
Others ⁽¹⁾	197.0	192,349.4	278.8	283,681.8	314.5	321,152.1
Industry Type Unspecified ⁽²⁾	98.4	90,457.0	102.7	99,514.1	67.1	61,999.8
Total	827.2	848,317.5	1,147.5	1,188,051.3	1,233.0	1,244,024.1

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Notes:

- (1) Include 19 other industries, such as the hardware, furniture and interior decoration materials specialty retail industry, the wholesale industry, the accommodation industry, the education industry, the healthcare industry, the repair and other professional services industry, the resident services industry and the household appliances and electronic products specialty retail industry.
- (2) We did not record the industry type for some aggregated acquiring customers who only use our QR code payment services for the sake of operational convenience and to avoid statistical confusion, as the merchant code standard used by certain third-party wallets is inconsistent with that of China UnionPay. To our knowledge, these third-party wallets developed their own industry types and standards due to independent business logic and technical architecture, and there is no legal or regulatory requirement for companies to use a unified industry type and standard.

Revenue from our five largest customers in each year of the Track Record Period accounted for 6.6%, 3.7% and 3.7% of our total revenue for the respective years. Revenue from our largest customer in each year of the Track Record Period accounted for 2.5%, 1.3% and 1.2% of our total revenue for the respective years. The following tables set forth the details of our five largest customers by revenue for the years indicated:

For the year ended December 31, 2022

Customer	Type of Products and Services Purchased	Background	Revenue (RMB'000)	% of total revenue	Year of commencement of business relationship	Payment terms
Customer A	Aggregated acquiring services, credit card repayment services	A Chinese commercial bank established in Beijing in 1996.	28,490	2.5	2011	Bank transfer; within 90 days
Customer B	Digital marketing services	A global digital financial services company that owns and operates a major mobile payment platform in China established in Hangzhou in 2000.	15,785	1.4	2017	Bank transfer; within 90 days
Customer C	Aggregated acquiring services, credit card repayment services	A Chinese commercial bank established in Shanghai in 1987.	13,558	1.2	2018	Bank transfer; within 30 days
Customer D	Aggregated acquiring services, credit card repayment services	A Chinese commercial bank established in Shenzhen in 1987.	11,719	1.0	2013	Bank transfer; within 30 days
Customer E	Aggregated acquiring services, credit card repayment services	A Chinese commercial bank established in Beijing in 1992.	6,167	0.5	2016	Bank transfer; within 30 days
Total			75,719	6.6		

BUSINESS

For the year ended December 31, 2023

Customer	Type of Products and Services Purchased	Background	Revenue (RMB'000)	% of total revenue	Year of commencement of business relationship	Payment terms
Customer A	Aggregated acquiring services, credit card repayment services	A Chinese commercial bank established in Beijing in 1996.	19,187	1.3	2011	Bank transfer; within 90 days
Customer F	Aggregated acquiring services, credit card repayment services	A Chinese commercial bank established in Beijing in 1987.	15,167	1.0	2011	Bank transfer; within 30 days
Customer D	Aggregated acquiring services, credit card repayment services	A Chinese commercial bank established in Shenzhen in 1987.	8,348	0.6	2013	Bank transfer; within 30 days
Customer G	Cross-border digital payment services	A global payments enablement and software company established in the United States in 2009.	6,485	0.4	2016	Bank transfer; real time payment
Customer B	Digital marketing services	A global digital financial services company that owns and operates a major mobile payment platform in China established in Hangzhou in 2000.	6,346	0.4	2017	Bank transfer; within 90 days
Total			55,533	3.7		

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For the year ended December 31, 2024

Customer	Type of Products and Services Purchased	Background	Revenue (RMB'000)	% of total revenue	Year of commencement of business relationship	Payment terms
Customer F	Aggregated acquiring services, credit card repayment services	A Chinese commercial bank established in Beijing in 1987.	19,100	1.2	2011	Bank transfer; within 30 days
Customer A	Aggregated acquiring services, credit card repayment services	A Chinese commercial bank established in Beijing in 1996.	12,596	0.8	2011	Bank transfer; within 90 days
Customer D	Aggregated acquiring services, credit card repayment services	A Chinese commercial bank established in Shenzhen in 1987.	9,698	0.6	2013	Bank transfer; within 30 days
Customer B	Digital marketing services	A global digital financial services company that owns and operates a major mobile payment platform in China established in Hangzhou in 2000.	9,038	0.6	2017	Bank transfer; within 90 days
Customer H	Cross-border digital payment services	A multinational technology company that engages in e-commerce, cloud computing, online advertising, digital streaming and artificial intelligence, established in the U.S. in 1994.	8,661	0.5	2021	Bank transfer; real time payment
Total			59,093	3.7		

To the knowledge of our Directors, as of the Latest Practicable Date, none of our Directors and their respective associates or any Shareholders holding more than 5% of our issued share capital had any interests in any of our five largest customers in each year of the Track Record Period.

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Customer Onboarding

We are solely responsible for conducting due diligence to assess potential customers, sometimes with the help of our channel partners. Our customer onboarding process includes the following steps:

- *Merchant assessment.* Sales agents in our network of channel partners and our in-house sales team are mainly responsible for sourcing merchants who are potential new customers. They identify and select prospective customers usually by conducting an on-site inspection to evaluate the merchant’s operations, business needs, financial condition and credit standing.
- *Application material collection.* Sales agents in our network of channel partners and our in-house sales team collect the merchant’s application materials and merchant information according to our internal checklist, including the merchant’s business licenses, valid identity certificates of legal representatives or the persons in charge, valid collaboration agreements, photos of the place of business, settlement accounts documents and other relevant certification documents.
- *Merchant approval.* We adopted a stringent approach and implemented KYC internal procedures, including (i) verifying the accuracy of information in application materials; (ii) checking the merchant against our internal and industry blacklists; (iii) conducting necessary inspections to ensure that the merchant sells goods and/or provides services as stated; and (iv) determining the merchant’s risk rating according to our internal policies and relevant regulations to adopt corresponding risk management measures.

Agreements with Customers

We enter into agreements with customers for both integrated digital payments services and digital commerce-enabling solutions.

Integrated digital payment services

The salient terms in our integrated digital payment service agreements include the following:

- *Term.* Typically one or two years, subject to renewal.
- *Service scope.* We offer our customers certain types of payment services set out in the relevant agreements. See “– Our Businesses – Integrated Digital Payment Services” for details of our integrated digital payment services.

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- *Fees and Pricing.* The pricing of our digital payment services is based on the type of service utilized. See “– Our Businesses – Integrated Digital Payment Services” for details of our pricing by service type. We typically charge a service fee based on the fee calculation criteria set out in the relevant agreements. In general, we either deduct the service fee when we settle the funds into the accounts of customers, or settle the service fee with customers on a monthly basis.
- *Indemnification.* If either party breaches its warranties or undertakings or fails to perform its duties or obligations under the contract, the other party shall have the right to demand rectification or to take corrective measures and, in the case of damages, to claim compensation. The customers are not allowed to intercept any information of the cardholders or give any instruction on behalf of them.
- *Termination.* We are typically entitled to terminate the agreement if, among others, the customers conduct business in violation of laws, regulations or regulatory systems. The agreement can also be terminated by mutual written consent.

Digital commerce-enabling solutions

The salient terms in our digital commerce-enabling solutions include the following:

- *Term.* Typically one year, subject to renewal.
- *Service scope.* We offer our customers certain types of digital commerce-enabling solutions set out in the relevant agreements. See “– Our Businesses – Digital Commerce-Enabling Solutions” for details of our digital commerce-enabling solutions.
- *Fees and Pricing.* The pricing of our digital commerce-enabling solutions is based on the type of service utilized. See “– Our Businesses – Digital Commerce-Enabling Solutions” for details of our pricing by service type. We typically charge combinations of service fees, annual subscription fees and system access fees based on the fee calculation criteria set out in the relevant agreements.
- *Indemnification.* We generally have the right to seek indemnification for our losses caused by, among others (i) damages related to false-advertising materials provided by the customer, (ii) reputational damages caused by violations of laws or regulations on the part of the customer or (iii) damages from illegal use of sensitive data without consent.
- *Termination.* The other party are entitled to unilaterally terminate the agreement in case of circumstances set out in the agreement, such as one party’s violation of the agreement provisions or misuse of information technology to jeopardize the cybersecurity. The agreement can also be terminated by mutual written consent.

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Customer Services

We believe our dedicated customer services optimize service quality and enhance customer loyalty and brand image. Our customer service team are committed to delivering high-quality and efficient service to our customers around the world.

Our broad range of support includes customer care, account and e-wallet service, customer approvals, payment review and approvals, risk management, card operations, customer implementations and configuration management. We promptly address inquiries and complaints, collaborating with other departments to provide effective solutions. We analyze the customer service needs by leveraging our wealth of industry insight, which enables us to promptly, and sometimes proactively, address their concerns. Customers can submit questions or complaints directly through our websites, emails and social media or by calling our customer service hotlines, and we are able to respond in multiple languages across various channels. We also use customer service robots to efficiently process customers’ complaints and inquiries on a 24/7 basis. We have internal control measures to handle customer complaints, including (i) recording and assigning all customer requests, inquiries or complaints to a specific case reference, (ii) arranging customer service personnel to handle cases assigned to them and follow up until cases are closed or resolved to our customer’s satisfaction, and (iii) integrating customers’ feedback into our decision-making process.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material customer complaints. We received and resolved 991 and 999 customer complaints in 2023 and 2024, respectively, all of which were routine complaints primarily relating to the understanding of service rules and procedures as well as the use of applications. All of such complaints were handled in accordance with our internal procedures and did not result in any material adverse effect on our business operation and financial condition.

SALES AND MARKETING

We promote most of our business through channel partners, which primarily include independent third-party service providers such as SaaS providers. We have an extensive network of channel partners to develop relationships with small and medium-sized merchants and other customers across China to expand the customer base for our services and solutions. We also adopt direct marketing in acquiring some of our customers, primarily for our credit card repayment, fund payment services and cross-border digital payment services.

Direct Marketing

Our in-house marketing department is responsible for coordinating our direct marketing efforts. To promote our sales, we utilize effective online and offline branding and marketing efforts to expand our customer base and increase brand awareness.

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To increase our customer base and their level of engagement, we have developed various marketing strategies, which are deployed and monitored on a regular basis. We utilize online marketing channels, such as search engine optimization, marketing campaigns on popular social media platforms, publishing company updates, customer case studies and articles on our website, social media and other platforms, as well as collaborations with well-known media outlets, to reach our targeted audience base, enhance our recognition and increase user engagement. Moreover, we also participate in various offline events, such as industry conferences, product launches and industry salons to showcase our technological advancements and develop relationships with industry participants.

As of December 31, 2024, we had a team of 131 employees focusing on our sales and marketing efforts. By leveraging the expertise of our sales and marketing team, we enhance our market penetration and effectively promote our offerings in various sectors, establishing a strong presence and driving sustainable growth.

Channel Partners

Channel partners are service providers who assist us with acquiring small and medium-sized merchants to become our customers. Our channel partners primarily include payment industry companies, such as aggregated payment platforms, and industry-specific solution providers, such as SaaS providers. With years of experience, these partners have accumulated extensive expertise in the payment industry, enabling them to provide customized solutions that address the specific needs of merchants, effectively solving merchant issues and fostering sustained, in-depth collaborative relationships. Many of our channel partners specialize in niche market scenarios, offering professional solutions and resources tailored to those specific contexts. Their continuous product development over time has led to deep integration with merchants. According to Frost & Sullivan, it has become an industry norm to collaborate with channel partners to facilitate the sales of payment services, which is a cost-effective way to cover a large number of merchants. As of December 31, 2024, our network consisted of 3.6 thousand channel partners, covered 375 cities in China, and had enabled us to reach 5.5 million merchants across China. During the Track Record Period, most of our customers for acquiring services were acquired through channel partners.

We engage channel partners to acquire merchants for the following reasons:

- ***Market Resource Integration and Rapid Coverage.*** Channel partners typically possess valuable resources such as merchant networks which we can leverage to swiftly enter competitive and emerging markets. Additionally, channel partners, being familiar with local markets and customer needs, can provide us with timely market feedback, aiding us in optimizing strategies and improving market competitiveness. This results in more efficient promotion of our payment services.
- ***Localized Service Ability.*** Due to the diversity in regional markets, customs, cultures and languages, channel partners, who are often deeply rooted in their local areas, possess strong service awareness and capabilities that align well with local needs. They can offer more localized and personalized services, improving customer experience and satisfaction. This facilitates our establishment of trust with local customers and supports efficient business development.

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- **Cost Control and Risk Management.** Operating through a direct model involves significant costs related to manpower, marketing and management. By engaging channel partners, we are able to reduce expansion and operational expenses. Additionally, our collaborations with a broad network of channel partners reduce our dependency on any single market or customer group, thereby minimizing concentration risks.

The following table sets forth the number of our channel partners and their movements for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
Number of channel partners at the beginning of the period	2,094	2,735	3,532
Number of new channel partners for the period	1,071	1,200	909
Number of terminated channel partners for the period	430	403	851
Net increase/(decrease) in number of channel partners for the period	641	797	58
Number of channel partners at the end of the period	2,735	3,532	3,590

Notes:

- (1) New channel partners refer to those for whom an identification number was registered in our business system in a particular year.
- (2) Terminated channel partners refer to those for whom an identification number was canceled in our business system in a given year.

Channel partners do not have direct contractual relationships with the merchants who use acquiring services. We directly enter into services agreements with merchants. We select the channel partners we cooperate with in each geographic region based on factors including their qualification, senior management’s experience in payment services, internal controls, risk management, anti-money laundering procedures, operation sustainability and reputation.

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Once channel partners are approved through our internal procedures and provide us with the required documents such as applicable licenses, we enter into service agreements with them usually for a term of one year. According to the service agreements, channel partners are mainly responsible for merchant development and training, and the deployment and maintenance of our payment terminals in designated geographic areas in China. We pay our channel partners commissions based on the transaction volume generated. We typically settle the fees with channel partners on a monthly basis according to our arrangements. In 2022, 2023 and 2024, our commission fees payable to channel partners as a percentage of the total revenue was 69.0%, 71.7% and 79.1%, which is in line with major market players in the industry, according to Frost & Sullivan. The following table sets forth the range and average of our commission rates paid to channel partners for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
Range	0.0007%-0.9200%	0.0007%-0.9900%	0.0001%-1.0000%
Average.....	0.0790%	0.0821%	0.1037%

Note:

- (1) The commission rate is calculated by dividing the commissions paid to a specific partner in a given period by the transaction volume generated through that partner in that period. The commission rate is negotiated with each partner on a case-by-case basis, taking into account the partner’s transaction volume, customer resources, brand influence of their customers and future growth potential as well as the depth and breadth of our business relationship with them. The commission rate is typically subject to adjustments according to their performance. During the Track Record Period, the average of our commission rates paid to channel partners was in line with major market players in the industry, according to Frost & Sullivan.
- (2) The highest commission rates during each period were paid to the channels partners with low TPV and commission fees, whose commission rate calculation is more likely to be affected by special circumstances, including, among others, (i) the commission fees mainly depend on two factors other than the transaction volume: (a) the rate of the service fees collected by us from customers referred by our partner and (b) the rate of the processing fees deducted by banks and clearing institutions. As a result, the commission fees may increase if the net service fee rates (i.e. service fee rate minus processing fee) increase ; (ii) we grant some channel partners additional incentives when their performance meets certain targets, such as terminal subsidies and account opening bonuses. Also, in certain businesses such as account operation services, we charge a fixed annual fee from customers referred by our partner, and we pay the partner a percentage of that fee as a commission fee. These additional fees are typically not correlated to transaction volumes and are often available to partners with low transaction volumes, such as new channel partners, which may result in an increased commission rate; and (iii) commission fees in our system are subject to rounding, which may result in rounding up of the fee and thus may result in an increased commission rate, especially for partners with low transaction volumes. According to Frost & Sullivan, the factors outlined above regarding the calculation of commission rates are in line with the industry, which may result in channel partners with relatively low transaction volume and commission fees obtaining relatively higher commission rates.

Major Channel Partners

We became acquainted with our major channel partners typically through referrals by other payment service providers or mutual business acquaintances, or our active business solicitation.

Revenue attributable to our ten largest channel partners in each year of the Track Record Period accounted for 38.9%, 34.5% and 28.3% of our total revenue for the respective years. Revenue attributable to our largest channel partner in each year of the Track Record Period accounted for 18.2%, 18.0% and 15.2% of our total revenue for the respective years.

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To the knowledge of our Directors, except for disclosed in “– Our Suppliers”, as of the Latest Practicable Date, no other past or present relationships (business, employment, financing, family, trust or otherwise) existed between each of our ten largest channel partners in each year of the Track Record Period and our Company or subsidiaries, their directors, shareholders or senior management, or any of their respective associates.

Management of our Channel Partners

We from time to time evaluate our channel partners’ performance and assess risks related to sales agents in accordance with relevant laws and regulations and industry practices. We have the right to inquire and investigate whether our channel partners are providing the necessary training and support to merchants, carrying out timely maintenance and repair of payment terminals, and other duties set out in the agreement. For the channel partners who do not meet our requirements, we may adopt necessary measures such as suspending or terminating our cooperation.

We monitor risks related to channel partners according to regulatory requirements and industry practices. We have the right to terminate the agreement and seek damages if the channel partner engages in activities that harm our brand name or interest. These activities typically include, among others, (i) violations of laws, regulations and clearing house rules, causing us to be subject to warnings or penalties by the regulatory bodies or clearing houses, (ii) any misconduct by the channel partner resulting in any leakage, manipulation or destruction of merchants’ account information or transaction data, (iii) collusion with merchants to conduct illegal activities, such as fraudulent credit card cash-out, money laundering or acceptance of fraudulent cards, (iv) assistance to merchants in submitting fraudulent application materials during the onboarding process and (v) providing services beyond its designated geographic area or to other merchants who have not entered into agreements with us. For a description of risk concerning channel partners, see “Risk Factors – Risks Relating to Our Business and Industry – If we fail to maintain our relationship with our channel partners, or to properly manage them, our reputation, business, financial condition and results of operations may be materially and adversely affected.”

OUR SUPPLIERS

Our suppliers primarily include channel partners that we pay commission fees to and payment terminal manufacturers which supply us with POS terminals. Purchase amount from our five largest suppliers in each year of the Track Record Period accounted for 36.3%, 30.3% and 33.2% of our total cost of sales for the respective years. Purchase amount from our largest supplier in each year of the Track Record Period accounted for 22.2%, 20.8% and 19.0% of our total cost of sales for the respective years. The following tables set forth the details of our five largest suppliers by purchase amount for the years indicated:

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For the year ended December 31, 2022

Supplier	Product/Service purchased	Background	Purchase amount (RMB'000)	% of total cost of sales	Year of commencement of business relationship	Payment terms
Supplier A ⁽¹⁾	Channel partner	A company that primarily provides advertising design, software development and agency services established in Wuhan in 2011.	180,682	22.2	2017	Bank transfer; within 30 days
Shenzhen Sixun Software Co., Ltd. (深圳市思迅软件股份有限公司)	Channel partner	A company that primarily provides cloud retail and cloud catering services established in Shenzhen in 2004.	33,821	4.1	2018	Bank transfer; within 30 days
Supplier C	Channel partner	An e-commerce platform operator established in Singapore in 2007.	28,445	3.5	2018	Bank transfer; within 30 days
Supplier D	Channel partner	A company that primarily provides advertising design, software development, data processing and agency services established in Dongguan in 2002.	27,835	3.4	2018	Bank transfer; within 30 days
Fujian Landi Commercial Equipment Co., Ltd. (福建聯迪商用設備有限公司)	Hardware	A company that primarily provides computer and communication accessories established in Fuzhou in 2005.	25,136	3.1	2018	Bank transfer; within 30 days
Total			295,919	36.3		

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For the year ended December 31, 2023

Supplier	Product/Service purchased	Background	Purchase amount (RMB'000)	% of total cost of sales	Year of commencement of business relationship	Payment terms
Supplier A ⁽¹⁾	Channel partner	A company that primarily provides advertising design, software development and agency services established in Wuhan in 2011.	233,582	20.8	2017	Bank transfer; within 30 days
Supplier C	Channel partner	An e-commerce platform operator established in Singapore in 2007.	34,306	3.0	2018	Bank transfer; within 30 days
Supplier D	Channel partner	A company that primarily provides advertising design, software development, data processing and agency services established in Dongguan in 2002.	29,570	2.6	2018	Bank transfer; within 30 days
Shandong Jucai Financial Software Service Co., Ltd. (山東巨彩金融軟件服務有限公司)	Channel partner	A company that primarily provides software established in Jinan in 2013.	22,691	2.0	2019	Bank transfer; within 30 days
Tianjin Shenzhou Shanglong Technology Co., Ltd. (天津市神州商龍科技股份有限公司)	Channel partner	A company that primarily provides catering management system, catering ordering and cashier system, membership management system, supply chain management system established in Tianjin in 2007.	21,896	1.9	2021	Bank transfer; within 30 days
Total			342,045	30.3		

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For the year ended December 31, 2024

Supplier	Product/Service purchased	Background	Purchase amount (RMB'000)	% of total cost of sales	Year of commencement of business relationship	Payment terms
Supplier A ⁽¹⁾	Channel partner	A company that primarily provides advertising design, software development and agency services, established in Wuhan in 2011.	230,290	19.0	2017	Bank transfer; within 30 days
Supplier C	Channel partner	An e-commerce platform operator, established in Singapore in 2007.	65,075	5.4	2018	Bank transfer; within 30 days
Tianjin Shenzhou Shanglong Technology Co., Ltd.	Channel partner	A company that primarily provides catering management system, catering ordering and cashier system, membership management system, supply chain management system, established in Tianjin in 2007.	60,808	5.0	2021	Bank transfer; within 30 days
Supplier D	Channel partner	A company that primarily provides advertising design, software development, data processing and agency services, established in Dongguan in 2002.	24,204	2.0	2018	Bank transfer; within 30 days
Supplier H	Channel partner	A company that primarily provides comprehensive digital services for retail stores, established in Shanghai in 2013.	22,251	1.8	2023	Bank transfer; within 30 days
Total			402,628	33.2		

Note:

- (1) As of the Latest Practicable Date, we owned 8.028% equity interest in Supplier A, our largest supplier in each year during the Track Record Period. We became acquainted with Supplier A through our active business solicitation. During the Track Record Period, Supplier A serviced as our channel partner, providing us with business promotion services to assist us acquire small and medium-sized merchants to become our customers. The Directors are of the view that should a partial divestment of our shareholding in Supplier A occur, it would not impact our business relationship, which is mutually beneficial where our services are deeply integrated with their products, offering a wealth of customized solutions to meet the diverse needs of customers we acquired through Supplier A.

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To the knowledge of our Directors, except for disclosed above, as of the Latest Practicable Date, none of our Directors and their respective associates or any Shareholders holding more than 5% of our issued share capital had any interests in any of our five largest suppliers in each year of the Track Record Period.

INVENTORY MANAGEMENT

Our inventories mainly include different models of our POS payment terminals and related accessories, components and consumables. Our inventories amounted to RMB5.9 million, RMB2.9 million and RMB3.6 million as of December 31, 2022, 2023 and 2024, respectively.

We regularly track our inventory to movements and maintain a level sufficient to fulfill customers’ orders. Under the guidance of our established inventory management system, our departments collaborate closely to ensure inventory security. The inventory management department takes the lead in coordinating our purchasing plans, ensuring compliance with our purchasing policies, drafting purchase orders, and selecting suitable suppliers. The warehouse staff is responsible for receiving goods, ensuring that the items received match the specifications on the purchase orders, inspecting for any damage, and completing the acceptance after inspection. The finance department oversees the valuation of inventory and assesses the need for inventory provisions.

CLIENT RESERVE FUNDS

Client reserve funds are amounts received on behalf of our clients from processing payments and payable to clients. As required by the Administrative Measures on Depository of Client Reserve Funds of Non-bank Payment Institutions (《非銀行支付機構客戶備付金存管辦法》), a non-bank payment institution shall deposit the client reserve funds received directly and in full into the PBOC or qualified commercial banks. See “Regulatory Overview – Regulations Relating to Payment Services of Non-Bank Payment Institutions – Regulations on the Management of Client Reserve Funds.”

We strictly distinguish client reserve funds from our own funds, and open client reserve fund accounts with the PBOC and other institutions recognized by regulatory agencies. All client reserve funds will be deposited directly into such reserve accounts to ensure its safety. We have developed dedicated settlement management software and systems to monitor and report the status of such reserves, established a continuous reconciliation mechanism with PBOC and other institutions, regularly reported the status of client reserve funds to regulatory agencies, and provided to our customers account movement and balance checking services to ensure the transparency, accuracy and compliance with the relevant laws and regulations. Our PRC Legal Advisor has confirmed that, during the Track Record Period and up to the Latest Practicable Date, our reserve fund deposit and other related activities complied with the provisions of the Administrative Measures on Depository of Client Reserve Funds of Non-bank Payment Institutions, and we were not subject to any administrative penalties for violating the such measures.

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RISK MANAGEMENT

We are committed to becoming a digital payment solution provider with strong risk management competencies. We are subject to several risks in our business operations. See “Risk Factors.”

We have established a comprehensive risk management system and internal control policies and procedures. We also monitor and review our risk management and internal control systems, and adapt to the changes in market conditions, our service and solution offerings, and the regulatory environment.

Our departments collaborate closely to ensure the efficient functioning of our risk management and internal control systems. We have established an independent risk management department primarily responsible for providing oversight of the risk management framework, allocating risk management responsibilities, approving risk management strategies, assessing our overall risk exposures and approving responses to major risk events. Our risk management activities are undertaken and monitored by our risk management department and supplemented by our legal compliance department, internal audit department, anti-money laundering department and other business departments.

In addition, we developed a patented technology that introduces a template-based system for managing virtual account transactions, ensuring their authenticity and legitimacy. This system incorporates dynamic control and pluggable components to efficiently schedule and process various transaction types. It enforces strict transaction control measures, verifies the authenticity of users, detects and prevents fraudulent activities, ensures compliance with regulations, and minimizes the risks associated with virtual transactions. The system enhances the authenticity and legitimacy of transactions by incorporating robust control mechanisms and tailored parameterization to address the unique requirements of each transaction type.

Fraud Risk Management

We are exposed to fraud risks in our operations.

We have fraud risk management policies and procedures in place to govern our business operation. We developed our data analytics capacities to detect fraud risk in our digital payment services through our proprietary real-time transaction risk monitoring and fraud risk analysis systems. Our multi-faceted and effective fraud management system automatically aggregates data relating to fraud in our database. Built upon the large database collected via our own platform, the system is able to assess the probability of suspicious activities.

We have established a dedicated fraud detection team. Our team regularly tests and refines anti-fraud rules to tackle new developments and trends, which allows us to quickly respond to emerging fraudulent threats and identify unknown fraud patterns.

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Chargeback

During the payment process for our integrated digital payment services, disputes sometimes arise between cardholders and merchants due to fraudulent, unauthorized transactions or the cardholders’ dissatisfaction with merchandise or service quality. Under UnionPay’s chargeback rules, when such disputes between cardholders and merchants are decided in favor of the cardholders, the transactions are “charged back” to the respective merchants and the related purchase amounts are refunded to the cardholders. In this process, the merchant, merchant acquirer (such as our Company) and issuing bank each has its responsibilities, and the failure to fulfil such responsibilities will result in that party bearing the losses. Merchants are responsible for providing merchandise or services to the cardholders as agreed and handling the payment transaction according to the merchant acquirers’ requirements. For example, the merchant’s cashiers are responsible for checking the bank cards and rejecting invalid cards, accurately entering the transaction information into the POS terminals, checking the information on the POS slips, ensuring that they are properly signed by the cardholders, and keeping proper documentation of the transactions. Merchants acquirers are responsible for properly conducting the KYC process when developing merchants and ensuring that merchants handle payment transactions properly. Issuing banks are responsible for verifying the identities of card applicants and cardholders to ensure that applications and transactions are conducted by the actual applicants or cardholders.

Under UnionPay’s chargeback rules, in a UnionPay cleared payment transaction, the merchant acquirer is responsible for losses due to chargebacks if (i) the merchant acquirer cannot prove that the transaction has been authorized by the issuing bank, (ii) the merchant acquirer or the merchant do not carry out the acquiring process properly and cannot provide compelling supporting evidence for the absence of fault, (iii) the merchant acquirer or the merchant is found to have conducted fraudulent activities, or (iv) the chargeback cannot be solved through the disputes resolution process, and the merchant acquirer is ordered to bear the loss based on mediation by UnionPay. Otherwise, the issuing banks are responsible for losses due to chargebacks, such as in the cases of fraudulent transactions caused by leakage of cardholders’ sensitive personal information due to security breach of their systems. UnionPay is not responsible for indemnifying any chargeback losses. Where the payment process does not involve UnionPay, according to our agreements with other clearing institutions or the issuing banks we generally have similar allocation of risk regarding losses from chargebacks. It is an industry norm for third-party payment service providers such as us to bear such losses in the above mentioned circumstances. Chargebacks do not affect our revenue recognition, but we record chargebacks as other expenses on our financial statements.

Since UnionPay does not have contractual relationship with merchants, its rules do not stipulate the allocation of chargeback liabilities between merchant acquirers and merchants, which is determined by their respective contractual arrangements.

In 2022, 2023 and 2024, we experienced 54, 226, and 218 instances of chargebacks, respectively; the number and value of transactions for which we experienced chargebacks accounted for less than 0.001% of the total number and value of transactions we processed in each period. Such chargebacks were primarily due to unsuccessful consumer transactions where funds were already deducted, duplicate transaction submissions for settlement and cardholders denying involvement in transactions. We were not liable for any losses due to the chargebacks during the Track Record Period.

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In the course of carrying out our acquiring services, we face the risk of cardholders or cardholders colluding with merchants conducting fraudulent transactions, which exposes us to the risk of loss, adversely affects our relationships with our business partners or even subjects us to administrative penalties or other actions imposed by the regulatory authorities. Typical fraudulent transactions are in the form of chargeback frauds and counterfeit cards. For example, from December 2013 to January 2014, there were widespread cases in China where certain cardholders colluded with merchants to abuse the credit card pre-authorization rules set by the issuing banks (the “**2013 – 2014 Pre-authorization Incident**”). The pre-authorization rules of credit card issuers were intended to temporarily hold the credit or cash value in the cardholder's account and allow a cardholder to pay for services for an amount up to 115% of the held amount in the form of cash deposited in advance, also known as authorization hold, regardless of the original credit limit on the card. A typical circumstance of abuse of the pre-authorization rules is that the cardholder colludes with the merchant to cash out the excessive 15% credit by depositing cash in advance through a fictitious transaction. Abuses of pre-authorization rules have caused significant losses to the issuing banks and third-party payment providers, including us, who processed these fictitious transactions. Our impairment loss allowance of RMB123.5 million, RMB120.3 million and RMB120.9 million as of December 31, 2022, 2023 and 2024, respectively, are primarily from chargebacks due to illegal or fraudulent activities of the merchants and cardholders during the 2013 – 2014 Pre-authorization Incident.

To address such risks, we screen the credentials of each merchant according to the regulatory requirements during the client onboarding process. See “– Our Customers – Customer Onboarding.” For key merchants and enterprises, we have dedicated personnel who conduct interview or on-site visit to verify identities and ascertain the authenticity of their business operations. We employ a combination of automated verification and manual review measures to evaluate the creditworthiness, business continuity and authenticity of merchants’ and enterprises’ business activities. We further set different transaction monitoring rules according to different merchants’ business models and transaction types to manage risks related to these merchants. We regularly update our internal blacklists and monitoring system as well as adjust the risk rating of the merchants detected conducting abnormal activities. In order to optimize our merchant constitution and ensure sustainable business operation, we take measures with regard to merchants with abnormal or high risk transactions or operations in a timely manner and have established exit mechanisms for merchants who exceed certain risk levels.

Cybersecurity Risk Management

We are exposed to risks in relation to data security, cybersecurity and confidentiality in our operations.

We have implemented stringent internal control procedures to protect the integrity of the data. See “– Privacy and Data Security.”

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Anti-Money Laundering Risk Management

We are exposed to risks caused by transactions involving the transferring of funds generated through illegal action or for terrorism purposes.

We have established and adopted the internal control system of anti-money laundering and anti-terrorist financing to ensure compliance with applicable PRC laws and regulations, and in order to prevent money laundering and terrorist financing.

We have developed a proprietary anti-money laundering and anti-terrorist financing monitoring system that facilitates our KYC procedures, and identifies and intercepts suspicious transactions. According to relevant regulatory requirements, we monitor all transactions automatically, submit reports to the PBOC about suspicious transactions and customer identity information we identified, conduct regular internal audit and submit audit reports to the regulatory authority.

We also provide education and training to our staff on anti-money laundering and anti-terrorist financing. In addition, we have anti-money laundering department to monitor compliance with relevant laws and regulations.

Enhanced Internal Control Measures

We further enhanced our internal control measures with respect to our anti-money laundering mechanisms and KYC procedures to ensure compliance with applicable laws and regulations, including the following:

- Implement various types of transaction-monitoring and risk management rules and contact merchants for transaction-related information upon triggering such rules; suspend and report suspicious transactions if merchants fail to respond adequately;
- Require legal representatives of merchants to submit identity documents such as business licenses, identity cards and bank account information during the onboarding process; conduct field visits to merchants and collect shareholder/beneficiary information; strictly verify submitted business and identity documents and bank account details;
- Review merchant qualifications and conduct risk assessments considering their attributes, geographic location, business and industry to prescribe risk level for each merchant; conduct bi-annual risk assessments for medium-risk merchants and annual assessments for low-risk merchants to evaluate ongoing risk levels; if a merchant is deemed at high-risk, we will not engage them.

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Legal and Compliance Risk Management

The payment and business services industries are highly regulated in China and the applicable laws, rules and regulations are continually developing and evolving. In particular, we are subject to inspection and filings requirements promulgated by certain regulatory authorities, including the PBOC and MIIT. See “Regulatory Overview.”

We have established a sound mechanism for legal and compliance risk management to effectively identify, evaluate, prevent and remediate compliance risk to ensure our compliance with laws and regulations.

Our legal compliance department is responsible for establishing a robust compliance framework, implementing compliance policies and procedures, conducting compliance reviews for new services and internal rules and procedures as well as other legal documents and monitoring regulatory developments.

Information Technology Risk Management

We are exposed to risks caused by disruption, malfunction or failure of our IT infrastructure and technological systems.

We have established a multi-tiered information security system to improve our IT risk management capabilities with respect to identifying risks, defending against invasion, monitoring and warning, as well as response and recovery. We also have an information security policy and rules in place which control our IT infrastructure. See “- Privacy and Data Security.” We perform periodic compliance checks against the established IT policies, identifying and mitigating problems that may undermine our system security.

To mitigate system failure risk, we have established and optimized relevant policies in building a stable IT system. We use primary and secondary server rooms at the physical level to achieve off-site disaster recovery, with one located in Shanghai and another located in Hangzhou. At the IT infrastructure level, all of our hardware devices and key lines have adopted the dual-node model, so that a single point of failure does not cause the entire system to fail. In addition, we maintain a sufficient buffer in our processing capacity to ensure the reliability of our IT system when we experience a surge in payment volume.

Liquidity Risk Management

We are exposed to liquidity risks. We have prudently managed our balance sheet to prevent balance or maturity mismatches of assets and liabilities, so as to minimize our exposure to liquidity risk. Our working capital needs usually arise from the purchasing of equipment, such as payment terminals, fee sharing with our business partners, salary payments, daily reimbursements, and principal and interest on bank borrowings to be paid, and we may obtain short-term borrowing from banks and other financial institutions. During the Track Record Period, we have been able to maintain a satisfactory level of matching of our assets and liabilities. We believe that our current and future cash flows from operations are sufficient to sustain our business growth.

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We have implemented several measures to manage our liquidity risks. Ultimate responsibility for liquidity risk management rests with our Director, which has built an appropriate liquidity risk management framework for the management of our short, medium and long-term funding and liquidity management requirements. We make detailed working capital plans for our business operations and accordingly prepare adequate funds. We also closely monitor any short-term or mid- to long-term payment obligations arising from our banking facilities in terms of the size, maturity date and pricing so that we can prepare for payment arrangements in advance. In addition, as most our qualified merchants choose to use our same-day settlement services, we also closely monitor our daily payment and settlement volumes, especially for our same-day settlement services.

Operational Risk Management

Operational risk is the risk of loss resulting from operational activities, inadequate procedures or other human error.

We manage operational risk by establishing clear policies requiring that identification and reporting processes are well-documented, and transactions are reconciled and monitored. We have officers responsible for overseeing our day-to-day operations, controlling and monitoring operational issues and solving problems. We have formulated operating procedures for our business functions to standardize our operating procedures and reduce human error.

Third-Party Settlement Arrangements Risk Management

During the Track Record Period, for certain digital commerce enabling solutions we offer, we usually charge a combination of fixed annual subscription fees, one time system access fees and transaction fees. In this arrangement, certain of our merchants settled such annual subscription fees or one-time system access fees with us through the accounts of third parties chosen by these customers (the “**Third-party Settlement Arrangement**”) because they mainly operated their business on a small scale and preferred settlement of payments through bank accounts of the chosen third parties for convenience in paying procedure. According to Frost & Sullivan, this type of arrangement is relatively common within the industry. In 2022, 2023 and 2024, the aggregate amounts of payments under the Third-party Settlement Arrangement amounted to RMB0.4 million, RMB1.2 million and RMB0.7 million, accounting for less than 0.1% in each year during the Track Record Period. As advised by our PRC Legal Advisors, the Third-party Settlement Arrangement did not violate any mandatory provisions of any applicable laws or regulations in China. Each of the payors under the Third-party Settlement Arrangement during the Track Record Period was an Independent Third Party. As of April 29, 2024, we had terminated all Third-party Settlement Arrangements and taken measures to prevent such Third-party Settlement Arrangement from happening again. Based on the above, the Directors are of the view that the cessation of arrangements did not have, nor will have, any material adverse effect on our business, operations and financial results. The Joint Sponsors concur with the view of our Directors above based on the following due diligence work performed:

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- (i) Discussing with the management of the Company to understand the background and details of the Third-party Settlement Arrangement, including (a) the reasons for allowing such arrangement, (b) parties involved in the arrangement, the relationships between such parties and the Company and relationships among such parties, (c) the total amount of transactions involved in the Third-party Settlement Arrangements and the corresponding revenue during the Track Record Period, (d) whether there have been any disputes among the parties and our Group, (e) whether our Group was subject to any legal consequences or regulatory non-compliances arising from the Third-party Settlement Arrangements, (f) our Group’s rectification measures to ensure non-recurrence of the Third-party Settlement Arrangement, and (g) that the cessation of arrangement did not have, and will not have, any material adverse effect on the our Group’s business, operations and financial results;
- (ii) Conducting interviews, on a sampling bases, with the relevant customers of our Group and their corresponding third-party payors involved in the Third-party Settlement Arrangement, to understand, among others, (a) the reasons for leveraging such arrangement, (b) the relationships between the customers and the third-party payors, (c) details of the relevant business transaction between the customers and our Group (including business scope of the transaction and the transaction amount incurred during the Track Record Period), and (d) whether there have been any disputes among the parties and our Group arising from the arrangement;
- (iii) Obtaining and reviewing relevant documents in relation to the Third-party Settlement Arrangement and its cessation, including (a) the relevant service contracts between the Company and the relevant customers, (b) the third-party payment instruction letters issued by the relevant customers to the Company illustrating their authorization to the respective third-party payors for payment of the service fees in concern, (c) the proofs of payment in relation to the service fees received by the Company through the Third-party Settlement Arrangements, and (d) the Company’s written confirmation on its cessation of the Third-party Settlement Arrangement since prior to the A1 application submission, (e) the enhanced internal control policy preventing the re-occurrence of Third-party Settlement Arrangement, and (f) the updated template service contract following the rectification measures;
- (iv) Discussing with the PRC Legal Advisor with respect to the Third-party Settlement Arrangement and understanding that the Third-party Settlement Arrangement did not violate any mandatory provisions of any applicable PRC laws or regulations;
- (v) Reviewing the internal control report issued by the Internal Control Consultant in relation to, among others, findings about the Third-party Settlement Arrangement (including the previous internal procedures of such arrangement) and discussing with the Internal Control Consultant and understanding that the proposed rectification measures have been duly implemented; and
- (vi) Reviewing the industry report prepared by Frost & Sullivan and it was confirmed by Frost & Sullivan that the Third-party Settlement Arrangement was not an uncommon practice in the industry.

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See “Risk Factors – Risks Relating to Our Business and Industry – We are subject to certain risks relating to third-party settlements.”

Investment Risk Management

We primarily invest in wealth management products issued by state-owned or reputable national commercial banks in China with low risks and high liquidity. Our investments in wealth management products are yield enhancement deposits with expected but not guaranteed rates of return. To monitor and control the investment risks associated with our investments in wealth management products, we have adopted a comprehensive set of internal policies and guidelines to manage our investments. See “Financial Information – Discussion of Certain Key Balance Sheet Items – Net Current Assets and Liabilities – Financial Assets at FVTPL – Current Portion.”

PRIVACY AND DATA SECURITY

The protection of privacy and data security is one of our highest priorities. We have designed a series of strict data security policies to ensure that the collection, use, storage, transmission and dissemination of data are in compliance with all applicable laws and regulations, optimize data governance, and protect the benefits of our customers, employees and other third parties. For details of relevant laws and regulations, see “Regulatory Overview – Regulations Relating to Information Security and Data Privacy.” These policies include, among others:

- *Data Collection and Usage.* We mainly collect and store data relating to background information of customers when providing digital payment services, primarily including (i) non-personal information such as address and licenses of enterprises; and (ii) personal information such as address, contact information and identity certification of individuals as well as transaction authorization information, time, location, amount, channel and type of payment and payment terminal. In some instances, our payment service customers use our systems to provide services to their end consumers, such as placing orders or making payments, which makes it inevitable to collect certain data of the end consumers. In such cases, our customers may authorize us to collect data from their end consumers to complete the transactions. Such information is collected with prior consent in accordance with applicable laws and regulations. We do not collect or use personal and behavioral data except for the stated use as expressly authorized by customers or otherwise required and/or permitted by the law.
- *Data Storage and Transmission.* We do not share or transfer information and data collected or preserved by us to any person, unless with prior consent or permitted under applicable law. We have adopted robust internal rules and procedures designed to prevent illegal and/or unauthorized cross-border transmission of data. We require any cross-border transferring data to go through strict assessment and approval procedures in order to ensure that only valid and legitimate requests are executed. We maintain monitoring and recording of the entire process of any cross-border data transmission to ensure data security. Following applicable laws and regulations concerning cross-border data transfer, we had completed the standard contract filing process for the outbound transfer of personal information with the local counterpart of the Cyberspace Administration of China.

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- *Data Protection.* We employ various technologies to protect the data with which we are entrusted. We strictly limit and monitor our employee access to user data by implementing a robust internal authentication and authorization system, so as to ensure confidential and important data can only be accessed through computers for authorized use and only authorized staff can access those computers. We encrypt data for storage and transmission, and adopt technical means such as firewalls and intrusion detection systems to ensure network security. We generally de-identify and encrypt confidential personal information and take other technological measures to ensure the secure processing, transmission and usage of data. We also adopt a combination of full backup and incremental backup to ensure that the data we collect is well maintained. We use distributed storage of data with multiple data replicas to increase security level. All sensitive data would be protected by field-level encryption. Sensitive application programming interface parameters are adopted to prevent data leakage or loss during circulation.
- *Data Security Awareness.* We provide data privacy training to employees and require them to report to us promptly on any potential data leakage. We also enter into confidentiality agreements with our employees. The confidentiality agreements provide that, among other things, our employees are legally obligated not to share, distribute or sell confidential information to any party, including other employees who otherwise have no access to such information. Our employees are also legally obligated to return all confidential materials in their possession upon cessation or termination of their employment and will remain obligated to maintain confidentiality of such materials thereafter. Our employees may be subject to penalty if they breach their confidentiality obligations or otherwise commit misconduct resulting in a leakage of confidential information.

As advised by our PRC Data Compliance Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the relevant PRC laws and regulations concerning network security, data security and personal information protection in all material aspects as well as all the relevant PRC laws and regulations concerning cross-border data transfer. As advised by our PRC Data Compliance Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material hacking incident, personal data leakage or IT system failure, nor were we subject to any material penalty, investigation, litigation or other legal proceedings relating to data privacy and protection.

INTELLECTUAL PROPERTY

We regard our patents, trademarks, service marks, trade secrets, proprietary technologies and similar intellectual property as critical to our success, and we rely on patents, trademark, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as confidentiality procedures and contractual provisions with our employees, partners, service providers, suppliers and others to protect our proprietary rights. We did not have any material dispute or other material pending legal proceedings concerning intellectual property rights with third parties during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, no material complaints were received by us, nor were there any material claims against us in relation to the use of software without proper licences.

As of the Latest Practicable Date, we had registered 46 trademarks, nine invention patents and 160 computer software copyrights in the PRC. For a list of our major intellectual property rights, see “Statutory and General Information – Further Information about Our Business – Intellectual Property Rights” in Appendix VII to this document.

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EMPLOYEES

As of December 31, 2024, we had 510 full-time employees, the majority of whom were based in Shanghai, China. The following table sets forth the number of our employees by function as of December 31, 2024:

Function	Number of employees	% of Total
Operations.	135	26.5
Sales and Marketing	131	25.7
Research and Development	185	36.3
Management, Administration and Others.	59	11.5
Total.	510	100.0

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive salaries, performance-based bonuses and other incentives. We primarily recruit our employees in China through recruitment agencies, online channels and internal referrals. We have adopted robust training programs to employees at all levels in accordance with their functions, positions and responsibilities. We believe our training culture has contributed to our ability to recruit and retain qualified employees.

As required under PRC regulations, we participate in employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans. We enter into employment contracts and agreements regarding confidentiality, intellectual property, and non-competition with our executive officers, managers, and employees. These contracts typically include a confidentiality provision effective during and after their employment with us.

We did not have an established labor union as of the Latest Practicable Date. We believe that we maintain a good working relationship with our employees and we have not experienced any labor strikes or labor disputes that had a material adverse effect on our business operations during the Track Record Period and up to the Latest Practicable Date.

Social Insurance and Housing Provident Fund Contributions

Pursuant to relevant PRC laws and regulations, employers are obligated to directly and duly contribute to the social insurance and housing provident fund for their employees. During the Track Record Period, we had not made contributions to the social insurance and housing provident fund for a few of our employees and we used third-party service providers to pay the social insurance and housing provident fund for some of our employees. Under the agreements between the third-party service providers and us, the third-party service providers have the obligations to pay the social insurance and housing provident fund for our relevant employees. During the Track Record Period, none of the third-party service providers that we cooperate with had failed to pay, or delayed in paying, any of the social insurance and housing provident fund for our employees, nor have we been involved in any labor disputes relating to

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such arrangement. During the Track Record Period, we had not received any notice or inquiry from the relevant governmental authorities due to the abovementioned practice of making contributions to the social insurance and housing provident fund, and we obtained credit reports with respect to contributions to the social insurance and housing provident fund.

As advised by our PRC Legal Advisors, considering, among others, the facts stated above, based on the credit reports we have obtained, as well as the fact that we have not received any notice or inquiry from relevant government authorities, the likelihood of us being required to integrally supplement all historical arrears for the social insurance and housing provident fund is remote and the risk of us being imposed to late fees or fines or subject to compulsory enforcement is remote. As such, no provision is required for the abovementioned contribution of the social insurance and housing provident fund and such matters would not have a material and adverse impact on our business, financial condition and results of operations.

COMPETITION

The integrated digital payment industry is competitive and evolving. We face intense competition from other integrated digital payment service providers. According to Frost & Sullivan, there were 175 third-party payment service providers that obtained payment business licenses in China as of December 31, 2024. Some of these providers have stronger brand recognition, greater financial resources and larger customer bases than we do, which may provide them with significant competitive advantages. See “Risk Factors – Risks Relating to Our Business and Industry – We face intense competition in the industries where we operate. Our inability to compete effectively could materially and adversely affect our business, financial condition and results of operations.”

We believe our principal competitive advantages primarily include our well-established payment license portfolio in China, diversified product and service matrix, open ecosystem, comprehensive payment network and technology platform capabilities and mutually beneficial relationships with our ecosystem partners.

In addition, this industry is affected by changes in government regulations and policies. If we are unable to adopt or comply with such changes, we may not be able to compete effectively. See “Regulatory Overview.”

See “Industry Overview” for more details of the competitive landscape of each relevant market regarding our products and services.

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LICENSES, PERMITS, FILINGS AND REGULATORY APPROVALS

We are required by relevant laws and regulations to obtain and maintain various licenses, permits, filings and regulatory approvals in order to operate our business in the PRC and overseas. We have a well-established payment license portfolio in China and hold payment licenses in Hong Kong and the United States. During the Track Record Period and as of the Latest Practicable Date, as advised by our PRC Legal Advisors, we had obtained all material requisite licenses, permits, filings and regulatory approvals in the PRC, all of which had remained in full effect. We did not experience any difficulties in renewing all the material requisite licenses, permits, filings and regulatory approvals in the PRC during the Track Record Period.

The following table sets for the details of our material licenses, permits, filings and regulatory approvals:

License/Permit/Filing/Approval	Entity	Country/ Region	Expiration Date	Description	Related Service Offerings
Payment Business Permit (中華人民共和國支付業務 許可證)	the Company	PRC	August 28, 2026	License for providing (i) internet payment, (ii) prepaid card issuance and acceptance, and (iii) bank card acquiring services	aggregated and online acquiring services, credit card repayment services
Approval Letter for Renewal of Registration for Shanghai Fuiou Payment Service Co., Ltd. to Conduct Foreign Exchange Services (關於上海富友支付服務股份 有限公司外匯業務延續登記 的批覆)	the Company	PRC	November 28, 2029	License for providing centralized agency services for clients (e-commerce operators and consumers purchasing goods or services) to handle foreign exchange settlement with cooperative banks	cross-border digital payment services
No Objection Letter to the Filing of Shanghai Fuiou Payment Service Co., Ltd. as an Authorized Sales and Settlement of Fund Institution (關於對上海富友支付服務有 限公司備案為基金銷售支付 結算機構無異議的復函)	the Company	PRC	N/A	License for providing fund payment service	fund payment services

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License/Permit/Filing/Approval	Entity	Country/ Region	Expiration Date	Description	Related Service Offerings
Value-added Telecommunications Business License (增值電信業務經營 許可證)	the Company	PRC	February 2, 2029	License for providing information services (internet information service only) excluding information search and query service and information instant interaction service	online acquiring services and digital commerce- enabling solutions
Filing Notice of Cooperation between Banks and Payment Institutions in Cross-border RMB Settlement Businesses (銀行與支付機構合作開展 跨境人民幣結算業務備案 通知書)	the Company	PRC	August 28, 2026	License for conducting cross- border RMB settlement businesses with specified banks	cross-border digital payment services
Record-filing of Outsourcing Service Providers of Acquiring Business (收單外包服務機構備案)	the Company	PRC	December 7, 2026	License for providing nominated merchant recommendation, acceptance sign posting, nominated merchant maintenance, and acceptance terminal deployment and maintenance services	aggregated and online acquiring services
Record-filing of Outsourcing Service Providers of Acquiring Business (收單外包服務機構備案)	Shanghai Mingxian	PRC	November 19, 2026	License for providing nominated merchant recommendation, acceptance sign posting, nominated merchant maintenance, and acceptance terminal deployment and maintenance services	aggregated and online acquiring services
Record-filing of Outsourcing Service Providers of Acquiring Business (收單外包服務機構備案)	Shanghai Fuqun Technology Service Co., Ltd. (上海富群技 術服務有限公司)	PRC	November 17, 2026	License for providing nominated merchant recommendation, acceptance sign posting, nominated merchant maintenance, and acceptance terminal deployment and maintenance services	aggregated and online acquiring services

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License/Permit/Filing/Approval	Entity	Country/ Region	Expiration Date	Description	Related Service Offerings
Record-filing of Outsourcing Service Providers of Acquiring Business (收單外包服務機構備案)	Shanghai Mashang Business Service Co., Ltd. (上海碼上商務服務有限公司)	PRC	December 10, 2026	License for providing nominated merchant recommendation, acceptance sign posting, nominated merchant maintenance, and acceptance terminal deployment and maintenance services	aggregated and online acquiring services
Money Service Operator License	GLOFORTUNE COMPANY LIMITED (智富恒通有限公司)	Hong Kong	September 5, 2025	License for the operation of a money service	cross-border digital payment services
Money Service Operator License	Mega Team Technology Limited (百盟科技有限公司)	Hong Kong	December 12, 2025	License for the operation of a money service	cross-border digital payment services
Money Services Business License	FUIOUPAY US INC	U.S.	December 31, 2025	License for the operation of a money service	cross-border digital payment services

INSURANCE

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain key man insurance, insurance policies covering damages to our network infrastructures or IT systems or any insurance policies for our properties. During the Track Record Period, we did not make any material insurance claims in relation to our business.

PROPERTIES

Our corporate headquarters is located at Shanghai, China.

As of the Latest Practicable Date, we held land use right for one piece of land in China with an area of 55,873.00 sq.m. As of the same date, we leased 21 material properties in China with a total gross floor area of 4,105.09 sq.m., which are primarily used as office space.

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As of the Latest Practicable Date, we also owned one property in Shanghai, China with a total gross floor area of 32,006.38 sq.m., which is used as office space and for leasing to other tenants. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, or JLL, an independent property valuer, valued our property interests as of April 30, 2025 and is of the opinion that the aggregate value of our property interests as of such date was RMB103.6 million. As the carrying amount of the properties owned by us as investment for rental income located in Shanghai accounted for 1% or more of our Group’s total assets, therefore, a property valuation report on such property interests is included in Appendix III to this document pursuant to Rule 5.01A(1) of the Listing Rules. Except for the property interests described in the property valuation, our Group has no other owned property interest that forms part of our non-property activities that has a carrying amount of 15% or more of total assets pursuant to Rule 5.01B(2)(b) of the Listing Rules.

We believe our current properties are sufficient to meet our near-term needs, and we do not anticipate undue difficulty in renewing our leases or in securing leases or purchases for alternative properties upon their expiration or demolition due to factors such as government planning adjustments. In the event that our current properties are not or no longer available for use, we believe that we can promptly find other business premises in the vicinity and the relocation cost is relatively low when compared with our net asset value.

Lease Registration

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, we had not obtained the registration of 19 lease agreements for our material leased properties in China. Our PRC Legal Advisors have advised us that failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements under PRC laws, but we may be ordered to register such lease agreements within a time frame prescribed by the relevant PRC government authorities, failure of which may subject us to a maximum penalty of RMB10,000 for each non-registered lease agreement. See “Risk Factors – Risks Relating to Our Business and Industry – Our legal right to some leased properties may be challenged.” As of the Latest Practicable Date, we had not been ordered to make corrections by relevant government authorities. As confirmed by our PRC Legal Advisors, the failure to register our lease agreements would not cause a material adverse impact on our business, operations and financial results.

Leased Properties with Title Defects

Additionally, as of the Latest Practicable Date, certain of our leased properties had title defects that could adversely affect our ability to continue using them in the future, including (i) four material leased properties for which the respective lessors had not provided us with valid real estate certificates, and (ii) one material leased property where the right holder on the real estate certificate was inconsistent with the lessor on the respective lease agreement. See “Risk Factors – Risks Relating to Our Business and Industry – Our legal right to some leased properties may be challenged.” During the Track Record Period and up to the Latest Practicable Date, we had not encountered any disputes with respect to these defective leased properties. Upon expiry of these lease agreements, we will assess the legal risk when renewing the relevant lease agreements. If we are not able to continue to use such leased properties due to such title defects, we

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expect to be able to identify alternative places for relocation in a timely manner without incurring material related loss considering the purposes and floor area of such leased properties. As confirmed by our PRC Legal Advisors, these title defects would not cause a material adverse impact on our business, operations and financial results.

LEGAL AND REGULATORY PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time become a party to legal, arbitration or administrative proceedings arising from the ordinary course of business.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings that we believe would have a material adverse effect on our business, results of operations, financial conditions or reputation.

Legal Compliance

We primarily operate in China and have been expanding into several other countries and regions where our business is regulated and supervised under different regulatory environments. We are subject to various regulatory requirements and guidelines issued by the regulatory authorities in the jurisdictions in which we operate. We aim to monitor regulatory environments and adopt adequate internal procedures and guidelines to manage our operations in order to avoid potential non-compliance or misconduct.

The PRC Legal Advisors are of the view that our non-compliance issues in the PRC during the Track Record Period and up to the Latest Practicable Date have not and will not have a material adverse impact on our business and operations or the [REDACTED], as (i) the amount of fines imposed by the administrative penalties accounted for a relatively small proportion of our net assets and net profit, (ii) we had made timely rectification after the penalties were imposed, (iii) they did not involve the revocation of business licenses, and (iv) did not have any material adverse impact on our subsequent operations. Based on the above, our Directors are of the view that we were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations during the Track Record Period and up to the Latest Practicable Date.

Regulatory Inspections

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in the PRC, primarily including the PBOC, its respective local branches, and the SAFE. Since 2021 and up to the Latest Practicable Date, our payment services were subject to four administrative penalties totaling approximately RMB6.9 million due to non-compliance with relevant laws and regulations, all of which were settled as of the Latest Practicable Date. These penalties were imposed on March 18, 2021, August 31, 2022, November 9, 2023 and February 26, 2024, with respective amounts of RMB180.0 thousand, RMB1,513.9 thousand, RMB4,550.0 thousand and RMB667.5 thousand. As of the Latest Practicable Date, we had implemented remedial measures and enhanced internal control measures

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for all these penalties, and we did not receive any feedback or requests for follow-up actions from the relevant regulatory authorities following our implementation of the remedial measures and/or submission of the relevant completion report(s) to the regulatory authorities. The details of these penalties and our corresponding remedial measures and enhanced internal control measures are set out below:

Major Issues	Remedial Measures and Enhanced Internal Control Measures
<ul style="list-style-type: none"> Failure to fully comply with certain provisions of the anti-money laundering law of the PRC, including KYC procedures and large sum or suspicious transactions reporting requirements, resulting in a fine imposed on our Company as well as our Chairperson of the Board, identified by relevant authority on November 9, 2023 Failure to fully comply with foreign exchange related regulations, including unauthorized foreign exchange activities and neglecting to report or collect required transaction information, identified by relevant authority on August 31, 2022 and February 26, 2024⁽¹⁾ 	<ul style="list-style-type: none"> Conducted self-inspections within the Group in response to anti-money laundering-related penalties and reported the self-inspection results to our anti-money laundering working group. Improved our anti-money laundering system to integrate and oversee coordination with law enforcement and the handling of adverse customer information. Improved our business system to document and manage the identity details of merchants’ legal representatives. Conducted random inspections to verify transaction authenticity and accuracy of information declared by customers. Ceased operations and transactions beyond authorized limits. Strengthened daily transaction monitoring and risk management for merchants and increase inspection frequency. Enhanced measures to verify the ownership of websites and stores. Addressed system vulnerabilities in the identity verification process to ensure accuracy of information.

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Major Issues	Remedial Measures and Enhanced Internal Control Measures
<ul style="list-style-type: none"> Failure to adequately implement KYC procedures, such as (i) deficiencies in merchant information management system, (ii) inadequate review of onboarding materials resulting in incomplete or fraudulent documentation, (iii) insufficient supervision of third-party service providers leading to inclusion of fraudulent merchants and (iv) failure to timely update merchant information as required, identified by relevant authority on March 18, 2021 Failure to fully comply with laws and regulations related to fund settlement, such as (i) improper transfers to non-designated accounts and settlement to personal accounts, (ii) failure to establish and maintain proper settlement accounts for certain customers, (iii) inadequate management of client reserve funds, identified by relevant authority on March 18, 2021 	<ul style="list-style-type: none"> Implemented robust merchant onboarding procedures, including cross-validating for identity verification and real-name authentication. Conducted thorough risk management for merchant compliance, which involves closing high-risk and dormant merchants, verifying authenticity through on-site visits, and enforcing corrective measures for non-compliant merchants. Established a tiered risk classification system for merchants, assigning appropriate transaction permissions and restrictions based on risk levels. Carried out investigations and corrective actions to address issues of false or inaccurate transaction information. Reviewed and updated internal control procedures to ensure compliance with regulatory requirements. Conducted comprehensive compliance self-assessment and rectification for existing merchants, promptly closing non-compliant accounts. Strict adherence to relevant regulations and strengthened customer fund management. Transitioned business collaborations to new payment accounts for improved control. Optimized fund transfer procedures to ensure compliance and streamline settlement operations.

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Major Issues	Remedial Measures and Enhanced Internal Control Measures
<ul style="list-style-type: none"> Other issues such as unauthorized relocation of POS terminals by merchants and changing of company directors without approval from the PBOC, identified by relevant authority on March 18, 2021 	<ul style="list-style-type: none"> Enhanced POS terminal approval management and replaced non-compliant POS terminals and shut down inactive ones. Conducted comprehensive training to ensure compliance awareness.

Note:

- (1) The recurrence of foreign exchange-related penalties is due to the fact that the foreign exchange activities examined in both inspections occurred prior to the first penalty and, therefore, prior to the implementation of our rectification measures. Specifically, the penalty dated August 31, 2022 resulted from a routine on-site inspection that examined our foreign exchange activities from January 2019 to April 2021. The issues identified included unauthorized foreign exchange activities and our failure to report or collect required transaction information. We have since rectified these issues and submitted a completion report to the regulatory authorities. The penalty dated February 26, 2024 resulted from an off-site inspection of our foreign exchange activities from March 2022 to July 2022. The issue identified was our failure to diligently verify refund transactions, which was similar to the unauthorized foreign exchange activities identified in the penalty dated August 31, 2022, but occurred before we implemented our rectification measures.

As confirmed by our PRC Legal Advisor, the above issues did not cause a material adverse effect on our business operations or the [REDACTED]; and did not affect the suitability of Ms. Zhang Yiqun and other Directors. The occurrence of the above issues were mainly due to inadequate understanding of regulations or oversight by responsible personnel to strictly comply with laws and regulations, which did not involve any dishonesty or integrity issues of any Directors. The administrative penalty imposed on Ms. Zhang Yiqun was merely due to her position as Chairperson and Director of our Company rather than her personal acts or dishonesty. In addition, to address the above issues, we have implemented remedial measures and enhanced our internal control measures, the details of which are set forth as above. Save as disclosed in this subsection, during the Track Record Period and up to the Latest Practicable Date, neither we nor our Directors and senior management were subject to any other administrative penalties by any competent authorities in relation to our payment services.

Based on the following due diligence work performed, nothing has come to the attention of the Joint Sponsors that would raise their concern on the Directors’ suitability under Rule 3.08 and 3.09 arising from the non-compliance incidents and regulatory breaches:

- (i) Discussing with the management of the Company to understand, among others, (a) the background of the non-compliance incidents and regulatory breaches (the “**Relevant Events**”), (b) the rectification actions taken by the Company in relation to the Relevant Events, (c) whether any misconduct of the Directors, Supervisors or other management members (including any fraudulent, deceptive or dishonest conducts) was identified giving rise to the Relevant Events, and (d) whether the Relevant Events have resulted in any material impact on the Company’s operation, and it was confirmed by the Company that no misconduct of the Directors, Supervisors or other management members was identified leading to the occurrence of the Relevant Events and such events did not have any material impact on the Company’s operation;

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- (ii) Discussing with the PRC Legal Advisor regarding any potential legal implication on the Directors’ suitability arising from the Relevant Events, and obtaining written confirmation that the Relevant Events did not affect the suitability of the Directors;
- (iii) Engaging an independent search agent to conduct background search, litigation search and bankruptcy search on the Directors, obtaining written responses from the Directors to the due diligence questionnaires prepared based on the search results, and it was concluded that the search results revealed no material negative findings which might impose a negative impact on the Directors’ suitability;
- (iv) Obtaining and reviewing underlying documents relating to the Relevant Events (including the relevant administrative penalty decisions) and the qualification of the Directors, Supervisors and other management members (the “DSMs”) to ensure that the no misconduct of the Directors, Supervisors or other management members was involved in the Relevant Events and their competency as management members of the Company;
- (v) Conducting independent due diligence interviews with the Directors, during which the Directors confirmed that, upon attending the Directors’ training provided by the Company’s Hong Kong Legal Advisors, (a) they are aware of and understand the obligations of and requirements imposed to a director of Hong Kong listed companies under the Listing Rules and other applicable laws and regulation, and (b) they have the character, experience and integrity to demonstrate a standard of competence commensurate with their position as the Directors;
- (vi) Obtaining quiz sheets completed by the DSMs in relation to the rules and responsibilities of the Company as an issuer on the Stock Exchange and the DSM to ensure that the DSMs are aware of and understand such rules and responsibilities; and
- (vii) Obtaining back-to-back confirmations from the Company and the DSMs, confirming, among others, that (a) they are aware of and understand their respective obligations under the Listing Rules and other applicable laws and regulation, and (b) they have the character, experience and integrity to demonstrate a standard of competence commensurate with their positions in the Company.

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Nothing has come to the attention of the Internal Control Consultant that causes the Internal Control Consultant to believe that there are significant control deficiencies in the internal control system and measures, based on the following reviews:

- Regarding our controls over transferring fund to clients' bank accounts, during the first follow-up review conducted from August 26, 2024 to September 5, 2024, the Internal Control Consultant recommended enhancements to the identified internal control deficiencies over transferring fund to client's bank accounts in the review period from July 1, 2023 to June 30, 2024. The internal control deficiencies were pertained to sampled transactions where our transfer of funds to individual bank accounts whose holders were neither our registered merchants nor the registered merchants' legal business owners as stated on the respective business licenses. We performed these fund transfers under the registered merchants' instructions in form of authorization letters. The Internal Control Consultant recommended that we should enhance our internal control procedures over fund transfer by (i) avoiding transferring funds to non-registered merchants' bank accounts; (ii) requiring their merchants to only provide bank accounts that were registered at the time when KYC procedures were carried out; and (iii) requiring the relevant staff to only perform fund transfer to registered merchants' bank accounts that were registered during the KYC procedures. The Internal Control Consultant then performed two subsequent follow-up reviews, namely (i) a follow-up review from October 8, 2024 to October 22, 2024 and (ii) a follow-up review from November 4, 2024 to November 6, 2024, focusing on the controls over fund transfer transactions to merchants' bank accounts occurred during the review period from September 9, 2024 to September 30, 2024 and from October 2, 2024 to October 31, 2024, respectively. For the second follow-up review of fund transfer transactions that occurred from October 2, 2024 to October 31, 2024, the Internal Control Consultant noted no exceptions from the available tested samples, and the previously identified internal control deficiencies over transferring of funds to merchants' bank accounts have been rectified.
- Regarding our KYC control procedures, during the first follow-up review over KYC procedures conducted from August 26, 2024 to September 5, 2024, the Internal Control Consultant identified internal control deficiencies in the KYC procedures on selected samples of newly accepted merchants from July 1, 2023 to June 30, 2024. The internal control deficiencies were pertained to the lack of maintaining records of the ultimate beneficial owners of the registered merchants (included: name, address, identity card number, types of identity documents and the valid date of the identity documents). The Internal Control Consultant then performed two subsequent follow-up reviews on our controls over KYC procedures, namely (i) a follow-up review during the period from October 8, 2024 to October 22, 2024 and (ii) a follow-up review from November 4, 2024 to November 6, 2024, focusing on the KYC procedures on newly accepted merchants from September 9, 2024 to September 30, 2024 and from October 2, 2024 to October 31, 2024, respectively. Based on the review results, the Internal Control Consultant did not identify any internal control deficiencies over KYC procedures from the selected tested samples.

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- Regarding anti-bribery and anti-corruption reporting mechanism, the Internal Control Consultant noted that (i) the anti-bribery management policy has been implemented since its establishment in 2020 and is reviewed annually and updated as necessary; (ii) all new staff are required to attend an offline training scheme concerning, among others, anti-bribery and anti-corruption, ethics and due diligence; and (iii) all existing staff are required to attend the trainings concerning, among others, anti-bribery and anti-corruption, ethics, fraud and handling of criminal court case via the office automation (OA) system to endure the adherence to the established procedures. No significant deficiencies on the existing internal control system and measures have come to the attention of the Internal Control Consultant.

Based on the above, the Directors are of the view that our internal control system and measures are adequate and effective, and the above issues did not cause a material adverse effect on our business, financial conditions and results of operations or the [REDACTED].

Based on the Joint Sponsors’ due diligence work including, among others, (a) discussion with the Internal Control Consultant, (b) reviewing of the relevant underlying documents in relation to the incidents and the Group’s rectification measures, and (c) reviewing of the internal control report prepared by the Internal Control Consultant, nothing came to the attention of the Joint Sponsors that would cause them to cast doubt on the view of the Internal Control Consultant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We deeply recognize the importance of environmental, social and governance (“ESG”) practices for our health and sustainable growth, and we are dedicated to being a socially responsible company delivering long-term positive ESG impact. Thus, we believe our continued growth rests on integrating social values into our business, we actively manage our resources and risk exposures related to ESG factors.

We have therefore established a comprehensive ESG framework in accordance with Appendix C2 to the Listing Rules. This framework incorporates ESG principles into our core strategies, formalizes our ESG governance structure, effectively manages ESG risks and opportunities and supports regulatory compliance, good business practices and sustainable development.

We have established a range of communication channels to facilitate stakeholder engagement and communication. We plan to conduct a variety of ESG-related trainings for our management and employees to provide internal ESG guidance and enhance company-wide ESG awareness.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with health, safety or environmental regulations.

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Governance

Our Board of Directors has overall responsibility for ESG matters to ensure our ESG policies are properly adopted and implemented, including, among others:

- (i) overseeing and ensuring our legal, ethical and responsible business operations;
- (ii) identifying and assessing ESG-related risks and opportunities;
- (iii) guiding materiality assessment with the engagement of internal and external stakeholders;
- (iv) developing and adjusting ESG strategies, objectives, policies and monitoring measures; and
- (v) reviewing and approving ESG reports.

We are in the process of establishing an ESG committee which will lead an ESG working group comprising key members from various departments to support our Board in the implementation of our ESG policies. The ESG committee is primarily responsible for:

- (i) conducting materiality assessment and reporting the results to the Board of Directors;
- (ii) developing countermeasures and work plans based on ESG-related risks assessed by the Board of Directors;
- (iii) guiding the ESG working group to implement ESG-related work;
- (iv) monitoring ESG-related work progress and reporting to the Board of Directors on a regular basis; and
- (v) collecting and managing ESG data and compiling ESG reports.

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ESG Risk Assessment and Management

Climate-related risks. We have identified the climate-related risk impacts in accordance with the framework recommended by the International Sustainability Standards Board.

Type of Risks	Potential Impacts
Physical Risks	
Acute risks	<p>Extreme weather conditions such as heat waves, heavy rain, floods, sandstorms and other natural disasters can damage data centers, equipment and office, leading to data loss and business disruptions. They also pose safety risks to employees’ health and well-being, potentially resulting in further consequences.</p> <p>Communication disruptions caused by extreme weather can pose significant risks to our payment services. Interruptions in network connectivity may lead to payment failures, causing financial losses and reputation damage. These disruptions can erode customer trust and satisfaction, impacting our brand reputation. Furthermore, repeated communication issues can increase operational costs due to the need for troubleshooting and compensation for affected transactions.</p>
Chronic risks	<p>Running data centers and servers requires a lot of energy, which significantly contributes to carbon emissions. Since payment service providers depend heavily on digital infrastructure, their indirect environmental impact can be considerable.</p>
Transition Risks	
Policy and legal risks	<p>China is intensively promulgating policies and regulations related to the carbon peaking and carbon neutrality goals. Potential changes in regulation and legislation, such as environmental protection or carbon emission requirements, could potentially disrupt our business operations or impose additional operational or compliance costs.</p>
Technology risks	<p>The rapid pace of technological innovation can lead to obsolescence and increased electronic waste, posing disposal and recycling challenges.</p>
Market risks	<p>The market trend of transitioning to low-carbon emission facilities could increase the cost of data center service and cloud servers, and even affect the number of qualified suppliers available.</p>
Reputation risks	<p>Our practices on carbon emissions and climate change may affect how we are perceived by our stakeholders. Besides, potential employee health issues raised by extreme weather can lead to legal actions and fines, damaging our reputation and financial position.</p>

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Other ESG-related risks. We have also analyzed our exposure to other ESG-related risks as follows:

Type of Risks	Potential Impacts
Information security and privacy risks	Inadequate information security and privacy protection can lead to serious risks and impacts, including data breaches and hacks that erode customer trust and harm brand reputation. These incidents may also result in legal actions and fines. Additionally, financial losses may occur due to business disruptions, loss of customers, and increased compliance costs.
Human resource management risks	Ineffective human resources management can lead to challenges in hiring and retaining talent, causing increased executive turnover and reduced productivity. This situation impacts operational efficiency and negatively affects long-term growth strategies and corporate culture.
Health and safety risks	Employee health issues may decrease work efficiency and increase errors, directly impacting operations. This can also lower morale and weaken team cohesion, harming our corporate culture. Additionally, non-compliance with health regulations can lead to legal actions and fines, damaging our reputation and financial position.

Mitigation and Management. In response to the impact of the ESG-related risks identified above, we will take the following measures to enhance our ability to respond to the risks and reduce the potential losses arising from the risks. In addition, we will update our corporate policies and procedures accordingly to further clarify these countermeasures and ensure their implementation. Below are a series of risk control measures we have put in place:

- (i) mitigating extreme weather risks by establishing disaster emergency plans and recovery plans, ensuring facility resilience, and prioritizing employee safety measures;
- (ii) conducting regular inspections on communication facilities and equipment to ensure the stability and quality of our payment service;
- (iii) selecting data centers with high energy efficiency management system, such as incorporating energy management system certification into supplier assessment, and adopt sustainable practices in operating data centers to reduce energy consumption and carbon emissions;
- (iv) ensuring strict compliance with relevant laws and policies, closely monitor regulatory and market trends to promptly update our ESG strategy and maintain a good reputation;
- (v) selecting qualified third-party waste disposal providers to promote responsible disposal and recycling of electronic equipment;

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- (vi) enhancing the information security system to prevent data leakage and hacker attacks; and
- (vii) establishing reasonable incentives and welfare policies to attract and retain talent and to promote a positive corporate culture.

Environmental Protection

Whilst our operations do not involve any significant direct emissions and direct environmental impacts, we still adhere to the green management philosophy and have adopted carbon reduction measures to minimize the carbon emissions generated from our operations.

We recognize the importance of contributing to sustainable development for the benefit of our society and the environment. We take sustainability as part of our corporate strategy, and we strive to cultivate a sustainable mindset among our employees and in our work environment. We have implemented internal policies to reduce our carbon footprint, such as reducing the energy and water consumption through:

- (i) strictly complying with relevant environmental laws and regulations;
- (ii) installing energy efficient lighting and ensuring lights are switched off when out of use either manually or through automatic sensors;
- (iii) switching off certain IT equipment or automatic power shutdown for certain systems and devices in off-seasons;
- (iv) controlling the use of air conditioning with measures including requirements on lowest temperature, regular maintenance of air cooling technologies and optimal timing controls;
- (v) posting slogans on saving water in our office, calling on employees to practice water conservation in their daily life; and
- (vi) promoting a paperless office, encouraging employees to use online office tools for daily documentation and meetings, and requiring double-sided printing if hard copies of documents are necessary.

ESG Metrics and Targets

Energy and resources consumption. We pay close attention to energy and resource use and strive to practice resource conservation. In our business activities, our energy consumption comes mainly from electricity consumption in our offices and a small portion from natural gas use in our staff dining hall. The following table sets out quantitative information on our energy and natural resource consumption for the periods indicated:

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Energy/Resource Consumption	Year ended December 31,		
	2022	2023	2024
<i>Electricity</i>			
– Total amount (kWh)	1,930,615	2,024,786	2,199,773
– Intensity (kWh per thousand RMB of revenue).....	1.69	1.34	1.35
<i>Natural gas</i>			
– Total amount (m³).....	13,084	15,611	14,943
– Intensity (m³ per thousand RMB of revenue).....	0.01	0.01	0.01
<i>Water</i>			
– Total amount (ton)	10,275	14,108	15,113
– Intensity (ton per thousand RMB of revenue).....	0.01	0.01	0.01

While the nature of our non-production business enables us to have a relatively low base level of energy and resource consumption intensity, we still consider it our responsibility to conserve energy and resources. We aim to reduce the intensity of our electricity and municipal water consumption by 10% by 2030, based on 2024 levels.

Greenhouse gas emissions management

Our carbon emissions are made up of Scope 2 carbon emissions from electricity use, which make up most of our emissions, and a small proportion of Scope 1 carbon emissions from the direct combustion of natural gas for cooking in our staff dining hall. The following table sets out our emissions data for the periods indicated:

Greenhouse gas emissions ¹	Year ended December 31,		
	2022	2023	2024
Scope 1 direct emissions (tCO ₂ e)	28.58	34.09	32.64
Scope 2 indirect emissions (tCO ₂ e)	1,126.32	1,181.26	1,286.65
Total greenhouse gas emissions (tCO ₂ e)	1,154.90	1,215.35	1,319.28
Intensity (tCO ₂ e per million RMB of revenue)	1.01	0.81	0.81

Notes:

1. The emission factors used in the calculations were obtained from *Announcement of the Ministry of Ecology and Environment and the National Bureau of Statistics on the release of the 2021 electricity carbon dioxide emission factors* and other publicly available information.

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We aim to reduce the Scope 1 and Scope 2 carbon emissions intensity by 10% by 2030, based on 2024 levels.

In addition, we have identified the major sources of Scope 3 carbon emissions, which mainly include vendor-provided data center services and cloud servers, as well as a portion of employee travel and commuting, and waste generated from operations. We are currently in the progress of developing statistics and monitoring of Scope 3 carbon emissions in accordance with the applicable guidelines.

Social Responsibility

Employment. Our human resource system strictly follows the laws and regulations related to employment requirements. We have a 100% labor contract coverage rate and ensure that there is no child labor or forced labor. We are committed to creating a fair and supportive work environment for our employees, ensuring their overall well-being throughout their careers.

Our benefits package includes mandatory social insurance and supplementary housing provident fund, as well as allowances for meals, communications, and transportation, and annual health check-ups to prioritize employees’ health and quality of life. Employees work a five-day week and are entitled to various types of leave, including marriage leave, maternity/paternity leave, paid annual leave, sick leave, and medical leave for non-work-related conditions.

We are also dedicated to fostering internal diversity, ensuring equal treatment in different backgrounds, ages, and genders. By continually promoting work-life balance, we strive to create a positive and supportive work environment that enhances overall employee satisfaction and well-being.

Training and Development. We have established transparent policies for recruitment, compensation, termination, and equal opportunities. We hire based on employees’ strengths and are committed to providing equal opportunities, which aligns with our corporate vision. We offer necessary onboarding and timely in-service training based on business needs to help employees excel in technical roles and daily project management. Through professional skills enhancement training, management skills training, and regulatory and compliance training, we encourage employees to develop diverse talents and achieve multifaceted growth.

During the Track Record Period, our training has cumulatively reached over 254 class hours (each class hour being 45 minutes), reflecting our ongoing commitment to comprehensive employee development. Our goal is to provide clear performance incentive schemes, career planning, and promotion pathways, as well as to create advancement opportunities for high-performing employees. Statistics on the total number of training hours are shown in the table below:

Employee Training	As of December 31,		
	2022	2023	2024
Employee training hour (hour).....	3,193.5	3,559.5	1,959.8

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Occupational health and safety. As we do not operate any production facility, we are not subject to significant health, work safety or environmental risks. We have adopted and maintained a series of rules, standard operating procedures, and measures to maintain our employees’ healthy and safe environment. We implement safety guidelines to set out information about potential safety hazards. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. Also, we have policies in place and have adopted relevant measures to ensure the hygiene of our work environment and the health of our employees.

To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations.

Respectful workplace. We focus on promoting diversity within our Company and treating all our employees equally and respectfully with respect to their recruiting, training, health and professional development. While maximizing equal career opportunity for everyone, we will also continue to foster work-life balance and a positive working atmosphere for all our employees. See “– Employees.” As a testament to our commitment and efforts, during the Track Record Period, we were recognized as a Shanghai Compliant and Exemplary Enterprise for Harmonious Labor Relations by the human resources and social security bureaus of Shanghai Pudong New Area.

Public welfare. We pursue common prosperity and harmonious development of enterprises and the society, have strong passions for public welfare undertakings, give back to society with great sincerity, make full use of our advantages in capitals and talents to contribute to the construction of a harmonious society and have realized a harmonious relationship with local communities.

In response to the call of the Federation of Industry and Commerce of Pudong New Area, we participated in the five-year “Ten Thousand Enterprises for Ten Thousand Villages” (萬企興萬村) enterprise-village pairing action, with the Nujiang Lisu Autonomous Prefecture in Yunnan Province (雲南怒江傈僳族自治州) as our counterpart. We actively donated goods and resources, and arranged for our staff to visit Nujiang to offer suggestions for local development. After a year of counterpart assistance, our practical actions and efforts got the recognition of Pudong New Area Federation of Industry and Commerce, Pudong New Area Glorious Cause Promotion Association, Yunnan Nujiang Lisu Autonomous Prefecture Political Consultative Conference, Nujiang Prefecture Federation of Industry and Commerce and other departments.

Besides, we are also actively involved in other social welfare contributions, such as blood donation initiatives among our employees to encourage their contribution to public welfare.

Anti-corruption and business ethics. We are firmly committed to combating bribery, extortion, fraud, and money laundering to ensure transparency and fairness in our business operations. To this end, we have established strict internal control policies that apply to all employees and partners. Additionally, we have set up an anonymous reporting channel for employees to report any suspicious or unethical behavior, with all reports being thoroughly investigated.

To keep aware of the most up-to-date policies and procedures, we regularly conduct training to enhance our management and employees’ understanding of anti-corruption regulations and company policies. Through these measures, we aim to foster an environment of integrity and fairness, safeguarding the legitimate interests of both us and our clients.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

OUR CONTROLLING SHAREHOLDER

As of the Latest Practicable Date, Fuiou Group held approximately 61.00% of the total issued share capital of our Company. Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Fuiou Group will hold approximately [REDACTED]% of our total issued share capital, and therefore will remain as our Controlling Shareholder.

DELINEATION OF BUSINESS

Fuiou Group is a comprehensive financial technology group company. Apart from our business, Fuiou Group and its subsidiaries are engaged in business of various industries, including but not limited to factoring, private equity fund, insurance brokerage, parcel lockers operation, distressed assets management, member benefits service technology solutions and others. Our Directors are of the view that the business scope of such businesses is separate and distinct from our business.

Our Controlling Shareholder has confirmed that, as of the Latest Practicable Date, it did not have any interest in other business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Based on the due diligence work performed, the Joint Sponsors are of the view that there was no competing business between our Group and Fuiou Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholder and its close associates after the [REDACTED], taking into consideration the factors below.

Management Independence

Our Board consists of seven Directors, including four executive Directors and three independent non-executive Directors. Dr. Chen Jian, our executive Director, is the director, chairman of the board and general manager of Fuiou Group and holds directorship and managerial positions in its subsidiaries. Mr. Fu Xiaobing, our executive Director and general manager, is the director of Fuiou Group and holds directorships in its subsidiaries, which are non-executive in nature, and is not involved in the day-to-day management and the business operations of Fuiou Group.

Our Directors consider that we are capable of maintaining management independence for the following reasons:

- (a) save for Dr. Chen Jian and Mr. Fu Xiaobing, none of our Directors (including the remaining two executive Directors) or senior management members holds directorship or senior management position in our Controlling Shareholder or its close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

- (b) our daily management and operations are carried out by our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Company. For details of the industry experience of our senior management team, please refer to the section headed “Directors, Supervisors and Senior Management” in this document;
- (c) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (d) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (e) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and
- (f) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Company and the Controlling Shareholder which would support our independent management. For details, see “– Corporate Governance” in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Company independently from the Controlling Shareholder and its close associates after the [REDACTED].

Operational Independence

We do not rely on the Controlling Shareholder and its close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholder and its close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers. We are in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

In addition, we expect certain connected transactions of our Group with our Controlling Shareholder and its close associates will continue after the [REDACTED], details of which are set out in “Connected Transactions” in this document. All such transactions will be conducted on arm’s length and on normal commercial terms in the ordinary and usual course of business of our Group in accordance with the requirements under Chapter 14A of the Listing Rules, and the pricing policy of our Group and our connected persons and not be prejudicial to the interests of any of the parties. Our Directors are of the view that such continuing connected transactions will not affect our operational independence as a whole.

Based on the above, our Directors believe that we are able to operate independently of the Controlling Shareholder and its close associates

Financial Independence

We have an independent financial system and make financial decisions according to our Company’s own business needs. We have our own internal control and accounting systems and an independent finance department for discharging the treasury function and independent access to third party financing. We do not expect to rely on the Controlling Shareholder and its close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities, the cash and cash equivalent on hand and internally generated funds as well as the [REDACTED] from the [REDACTED].

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholder and its associates. As of the Latest Practicable Date, we did not have any outstanding loans provided by or granted to, nor any non-trade balances due to or due from, the Controlling Shareholder or its associates. All guarantees provided by our Controlling Shareholder on our Group’s borrowing will be fully released upon [REDACTED].

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on the Controlling Shareholder after the [REDACTED].

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Part 2 of Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Company and the Controlling Shareholder:

- (a) where a Board meeting is held for the matters in which any Director has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

- (b) where a Shareholders’ meeting is to be held for considering proposed transactions in which the Controlling Shareholder or any of its associates have a material interest, the Controlling Shareholder will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with the Controlling Shareholder or any of its associates, our Company will comply with the applicable Listing Rules;
- (d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see “Directors, Supervisors and Senior Management”;
- (e) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses; and
- (f) we have appointed Caitong International Capital Co., Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Company and the Controlling Shareholder, and to protect minority Shareholders’ interests after the [REDACTED].

CONNECTED TRANSACTIONS

OVERVIEW

Upon [REDACTED], certain transactions between us and our connected persons, which are entered into in our ordinary course of business, will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The following persons, among others, will become our connected persons upon [REDACTED]:

Name of our connected persons	Connected Relationship
Fuiou Group	Fuiou Group is our Controlling Shareholder

OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transaction	Applicable Listing Rules	Waiver sought
Fully exempt continuing connected transactions		
1. Provision of integrated digital payment services	14A.76(1)	N/A
2. Procurement of telecommunication services	14A.76(1)	N/A
3. Procurement of promotion services	14A.76(1)	N/A
4. Provision of promotion services	14A.76(1)	N/A
Non-exempt continuing connected transaction (subject to reporting, annual review and announcement requirements)		
1. Leasing of properties	14A.35, 14A.76(2), 14A.105	Announcement requirement

CONNECTED TRANSACTIONS

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

In the ordinary and usual course of business of our Group, we have entered into the following transactions with Fuiou Group and/or its associates on normal commercial terms:

- (1) procurement of certain telecommunication services, including but not limited to the service to maintain customer service hotlines and short message service, in order to support our business activities. The pricing shall be determined after an arm’s length negotiations with reference to the service type and volume, the operational costs and the market price of similar services. The pricing terms are to be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the similar conditions;
- (2) procurement of promotion services for our integrated digital payment business, to assist our customer acquiring and training as well as the deployment and maintenance of our payment terminals. The pricing shall be determined after an arm’s length negotiations with reference to the historical pricing basis, the type of payment and transaction amount involved, the performance of the promotion and the prevailing industry pricing of similar services. The pricing terms are to be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the similar conditions;
- (3) provision of integrated digital payment services. The pricing shall be determined after an arm’s length negotiations with reference to the service type, volume/amount of the transactions involved, and the prevailing market pricing in relevant regions for providing comparable services. The pricing terms are to be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the similar conditions; and
- (4) provision of promotion services, through which we will refer our customers in need to the financial service provider under Fuiou Group. The pricing shall be determined after an arm’s length negotiations with reference to transaction amount promoted with our services and the prevailing industry pricing of similar services. The pricing terms are to be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the similar conditions. We have only entered into this transaction in 2024, and therefore there is no historical transaction amount.

CONNECTED TRANSACTIONS

The historical amounts of the above transactions are set out as below:

	Historical amounts (exclusive of tax) (RMB'000)		
	For the year ended December 31,		
	2022	2023	2024
Transaction amount paid by our Company			
Procurement of telecommunication services	585	528	681
Procurement of promotion services	3,382	75(Note)	608
Transaction amount paid to our Company			
Provision of integrated digital payment services	20	77	207

As the highest applicable percentage ratios for each of the abovementioned transactions for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis, each of such transactions will constitute a de minimis continuing connected transaction of our Company pursuant to Rule 14A.76(1) of the Listing Rules that will be fully exempt from reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS)

We have entered into the following transactions which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, such transactions will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but will be exempted from the independent Shareholders’ approval requirement.

Leasing of Properties

Principal terms

On January 1, 2024 we have entered into the property lease agreement with Fuiou Group (the “**Property Lease Agreement**”), pursuant to which Fuiou Group leases from us certain office space in Shanghai. The term of the Property Lease Agreement shall commence on the date of the agreement until December 31, 2026, subject to renewal by mutual consent, and the initial lease term of the Property Lease Agreement is one year.

Note: we have recorded a lower transaction amount since 2023 as we ceased cooperation with certain channel partner within Fuiou Group.

CONNECTED TRANSACTIONS

Reason for the transactions

Our Company leases certain properties to Fuiou Group and we expect that we will continue with such lease after the [REDACTED]. We believe that it is mutually beneficial and would provide us with a meaningful amount of rental income and save our Company administrative costs and time that would otherwise be spent on negotiating and entering into contracts with different Independent Third Party lessees. Further relocation of the business of Fuiou Group existing in the leased properties to other properties may cause unnecessary disruptions to their business and additional costs and expenses. Our Company is not bound and will not be bound to lease properties to Fuiou Group only. The continuation of these leases is convenient and cost-effective for our Company and is in line with our Company’s business needs and economic interests.

Pricing basis

The rent payable under the Property Lease Agreement shall be determined after an arm’s length negotiations with reference to the location, quality and size of the properties and the prevailing market rent of similar property located in the vicinity. The rent payable is exclusive of utilities usage which Fuiou Group pays directly to the relevant utilities service provider. The terms are to be no less favorable to our Company than those for transactions between our Company and Independent Third Parties under the similar conditions. In order to ensure that the price of the Property Lease Agreement is fair and reasonable and on normal commercial terms, we will constantly acquire market information to keep abreast of the prevailing market price and practices for us to make a regular review of the pricing terms.

Historical amounts

	Historical amounts (exclusive of tax) (RMB’000)		
	For the year ended December 31,		
	2022	2023	2024
Transaction amount paid to our Company	12,025	12,025	8,017

Annual caps and basis of caps

The maximum aggregate annual transaction amounts in respect of the Property Lease Agreement for the two years ending December 31, 2025 and 2026 shall not exceed the caps set out below:

	Proposed annual caps (exclusive of tax) (RMB’000)	
	For the year ending December 31,	
	2025	2026
Transaction amount to be paid to our Company	8,017	8,017

The above annual caps are based on the existing agreement which adopts the same pricing basis as set out above. The decrease in the annual caps in respect of the Property Lease Agreement as compared to the historical transaction amounts is due to the rent adjustment in 2024 as agreed by the parties after an arm’s length negotiations primarily to reflect the decline in the market rent of similar property in proximity.

CONNECTED TRANSACTIONS

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transaction under the subsection headed “– Non-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)” will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules upon the [REDACTED].

As this non-exempt continuing connected transaction is expected to continue on a recurring and continuing basis and has been fully disclosed in this document, our Directors consider that compliance with the announcement, circular and the independent Shareholders’ approval requirements (as the case may be) would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in “– Non-exempt Continuing Connected Transactions (subject to reporting, annual review and announcement requirements)” in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above are in our ordinary and usual course of business and on normal commercial terms, and are fair and reasonable and in the interest of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the documents and information provided by the Company and due diligence conducted, the Joint Sponsors are of the view that the non-exempt continuing connected transactions as set out above are in the ordinary and usual course of business of our Company and on normal commercial terms, and are fair and reasonable in the interests of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONNECTED TRANSACTIONS

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS’ INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Company has implemented the following internal control measures in relation to the continuing connected transactions:

- Our Company has approved internal guidelines which provide that if the value of any proposed connected transaction (including continuing connected transactions) is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the relevant responsible personnel in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules;
- the audit committee under the Board, the Board and various other internal departments of the Company will also regularly monitor the fulfillment status and the transaction updates under the transaction agreements;
- Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Company in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap; and
- When considering any renewal or revisions to the agreements after [REDACTED], the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders’ general meetings (as the case may be). If the independent Directors’ or independent Shareholders’ approvals cannot be obtained, we will not continue the transactions under the transaction agreement(s) to the extent that they constitute non-exempt continuing connected transactions under rule 14A.35 of the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. All Directors are elected by the general meeting for a term of three years which is renewable upon re-election. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Company, determining the annual financial budgets and final accounts of the Company, determining the fundamental management systems of the Company, formulating profit distribution plans and loss recovery plans of the Company, and exercising other powers and functions as conferred by the Articles of Association.

Our Supervisory Committee consists of three Supervisors, comprising one shareholder representative Supervisor, and one employee representative Supervisor. The Supervisory Committee is responsible for supervising the performance of duty of the Board and the senior management of the Company and overseeing the financial conditions of the Company. The employee representative Supervisor is elected by our workers congress, while shareholder representative Supervisors are elected at the Shareholders’ general meetings. Our Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our senior management is responsible for the management of day-to-day operations of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information of our Directors:

Name	Age	Position	Principal roles and responsibilities	Date of joining our Company ⁽¹⁾	Date of appointment as Director	Relationship with other Directors, Supervisors and senior management
Dr. CHEN Jian (陳建)	58	Executive Director	Responsible for our overall development strategies, business and investment plans and major decision-making	July 2011	July 2011	None
Ms. ZHANG Yiqun (張軼群)	53	Chairperson of the Board and executive Director	Responsible for the overall management and operations, external affairs and financial management of our Group	July 2011	May 2017	None
Mr. FU Xiaobing (付小兵)	47	Executive Director and general manager	Responsible for overall business operations and investment execution of our Group	July 2011	June 2021	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Principal roles and responsibilities	Date of joining our Company ⁽¹⁾	Date of appointment as Director	Relationship with other Directors, Supervisors and senior management
Mr. LIU Baichuan (劉百川)	41	Executive Director, general manager of finance department, general manager of the office of the Board and Board of Supervisors, and securities affairs representative	Responsible for the financial management, management of affairs of the Shareholders’ meeting, the Board, and the Supervisory Committee, and investor relations management of the Group	February 2016	[•]	None
Mr. CHEN Jin (陳勁)	56	Independent non-executive Director	Supervising and providing independent judgment to the Board	May 2020	May 2020	None
Dr. WANG Hongwei (王洪衛)	57	Independent non-executive Director	Supervising and providing independent judgment to the Board	June 2023	June 2023	None
Dr. CHEN Shengqun (陳勝群)	62	Independent non-executive Director	Supervising and providing independent judgment to the Board	June 2023	June 2023	None

Note:

- (1) Date of joining our Company denotes the time from which the relevant Director first became involved in matters relating to the business of our Company.

DIRECTORS

Executive Directors

Dr. CHEN Jian (陳建), aged 58, is an executive Director. He currently holds directorship at other subsidiaries of our Company. Dr. Chen has served as the chairperson of the board of Fuiou Group and its director since February 2009.

Dr. Chen is an industry leader with approximately 28 years’ experience in finance and payment. From 1988 to 1996, Dr. Chen worked at Xiamen University. From 1996 to 1997, Dr. Chen worked at Shenzhen City Cooperative Commercial Bank (深圳市城市合作商業銀行). From 1997 to 2002, Dr. Chen worked at China Merchants Bank Co., Ltd. (招商銀行股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600036.SH), the H shares of which were listed on the Stock Exchange (stock code: 3968). From 2002 to 2009, he worked at China UnionPay Co., Ltd. (中國銀聯股份有限公司).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Chen obtained his bachelor’s degree in political economics from Xiamen University (廈門大學) in the PRC in July 1988, and his doctorate degree in political economics from Xiamen University in the PRC in June 1996. He obtained the qualification certificate of senior economist issued by China Merchants Bank Co., Ltd. in December 2000.

Ms. ZHANG Yiqun (張軼群), aged 53, is an executive Director and the chairperson of the Board. Ms. Zhang joined our Group in July 2011 and had served as our assistant president from May 2012 to December 2014. She has served as our executive Director since May 2017 and was appointed as the chairperson of the Board in October 2019, and served as the general manager of our Company from May 2017 to April 2024. She currently holds directorship at other subsidiaries within our Group.

Ms. Zhang has approximately 20 years of experience in the financial investment. She served as a project manager at China Union Loyalty Co., Ltd. (上海銀商資訊有限公司) from June 2004 to June 2007. From March 2009 to April 2013, she served as a department manager and assistant president of Shanghai Fuiou Network Technology Co., Ltd. (上海富友網絡技術有限公司) (“**Fuiou Network**”) (formerly known as Shanghai Fuiou Financial Network Technology Co., Ltd. (上海富友金融網絡技術有限公司)), a subsidiary of Fuiou Group.

Ms. Zhang obtained her bachelor’s degree of chemistry from Jilin University (吉林大學) in the PRC in July 1994 and her master’s degree in business administration from Hong Kong University in October 2002.

Mr. Fu Xiaobing (付小兵), aged 47, is an executive Director and the general manager of our Company. He currently also serves as a director of Fuiou Group, which is non-executive in nature.

Mr. Fu has over 16 years’ experience in finance industry. Prior to joining our Group, he served in Shanghai Chinasoft Huateng Software System Co. (上海中軟華騰軟件系統有限公司) (formerly known as Shanghai Huateng Software System Co. (上海華騰軟件系統有限公司)) and was primarily responsible for software development. Mr. Fu joined Fuiou Group in October 2007. From October 2007 to June 2011, Mr. Fu served as an assistant president of Fuiou Network. From July 2011 to April 2024, he served as the vice president of Fuiou Group.

Mr. Fu obtained his bachelor’s degree in computer technology and applications from East China Normal University (華東師範大學) in the PRC in July 1999, and obtained a master of business administration degree from School of Management, Fudan University in the PRC in January 2015.

Mr. LIU Baichuan (劉百川), aged 41, is an executive Director of our Company. Mr. Liu joined our Group in February 2016 and has served as our general manager of finance department, general manager of the office of the Board and the Supervisory Committee, and securities affairs representative.

Mr. Liu has over 15 years’ experience in finance industry. He served as an equity management officer in the strategic development department of China UnionPay Merchant Services Inc. (銀聯商務股份有限公司) (currently known as China UnionPay Merchant Services Payment Inc. (銀聯商務支付股份有限公司)) from June 2009 to June 2012, and served as an equity management officer in the strategic

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

department in China Union Loyalty Co., Ltd. (上海銀商資訊有限公司) from February 2012 to March 2015. From April 2015 to February 2016, Mr. Liu then served as a deputy general manager (presiding over the work) of the general affairs department at China Union Loyalty E-Commerce Co., Ltd. (上海銀商電子商務有限公司).

Mr. Liu obtained his bachelor’s degree in economics (class of national cultivation base for junior economics talents(國家經濟學基礎人才培養基地班)) from Liaoning University (遼寧大學) in the PRC in July 2006 and his master’s degree in world economy from East China Normal University in the PRC in July 2009. He was certified by China Institute of Certified Public Accountants as a Certified Public Accountant (non-practicing member) in 2016.

Independent Non-executive Directors

Mr. CHEN Jin (陳勁), aged 56, is an independent non-executive Director of our Company.

Mr. Chen has over 23 years’ experience in finance and business management. From April 2001 to July 2002, Mr. Chen served as an assistant to the chief executive officer of China Merchants Securities Co., Ltd. (招商證券股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 6099) and the Shanghai Stock Exchange (stock code: 600999.SH). He served as a deputy general manager of China Merchants Fund Management Co., Ltd. (招商基金管理有限公司) from July 2002 to July 2005, and he served as the president at credit card center of China Citic Bank Corporation Limited (中信銀行股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 601998) and the H shares of which were listed on the Stock Exchange (stock code: 998), from July 2005 to May 2014. Mr. Chen served as an executive director of ZhongAn Online P & C Insurance Co., Ltd. (眾安在線財產保險股份有限公司) (“**ZhongAn Insurance**”), a company listed on the Stock Exchange (stock code: 6060), from November 2014 to January 2021, and also served as its chief executive officer from June 2014 to July 2019. From November 2020 to March 2023, he has served as a senior management member in the group of Noah Digital International in Noah Holdings Private Wealth and Asset Management Limited (諾亞控股私人財富資產管理有限公司), a company listed on the Stock Exchange (stock code: 6686). From August 2023 to April 2024, Mr. Chen has served as the chairman of the board of Bishi (Shanghai) Commercial Management Co., Ltd. (畢石(上海)商業管理有限公司). Since April 2024, he has served as the general manager of China Securities Credit Investment Co., Ltd. (中證信用增進股份有限公司).

Mr. Chen obtained his executive master of business administration degree from Cheung Kong Graduate School of Business (長江商學院) in PRC in October 2012 and his master’s degree and bachelor’s degree in engineering both from Huazhong University of Science and Technology (華中理工大學) (currently known as Huazhong University of Science and Technology (華科技大學)) in PRC in April 1994 and July 1991, respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. WANG Hongwei (王洪衛), aged 57, is an independent non-executive Director.

Dr. Wang has approximately 28 years’ experience in research and studies in finance and economics. From July 1996 to August 2013, Dr. Wang worked at Shanghai University of Finance and Economics (上海財經大學), with his last position as a vice principal. He served as the dean of Shanghai Finance Institute (上海金融學院), which then merged with Shanghai Lixin University of Accounting (上海立信會計學院) into Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院), from September 2013 to May 2016, and a professor in Shanghai Lixin University of Accounting and Finance from June 2016 to August 2018. Since September 2018, he has served as a professor at Shanghai University of Finance and Economics.

Dr. Wang served as an independent director of (i) Bank of Hangzhou Co., Ltd. (杭州銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600926), from February 2017 to March 2023; (ii) Elegant Home-Tech Co., Ltd. (愛麗家居科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603221), from November 2020 to November 2023; and (iii) Shanghai Shimao Co., Ltd. (上海世茂股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600823), from June 2021 to August 2023. Since January 2018, Dr. Wang has served as a director of Shanghai In-Rich Financial Services Group Co., Ltd. (上海財安金融服務集團股份有限公司), a company listed on the NEEQ (stock code: 430656). Dr. Wang has served as an independent non-executive director of Watts International Maritime Engineering Limited (華滋國際海洋工程有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2258) since October 2018. He has also served as an independent director of Shanghai New Huang PU Industrial Group Co., Ltd. (上海新黃浦實業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600638) since August 2022, and a director of Asia Silicon (Qinghai) Co. Ltd., (亞洲硅業(青海)股份有限公司) since July 2023.

Dr. Wang was named the Yangpu Top Ten Outstanding Youth (楊浦十大傑出青年) by the Shanghai Yangpu Government in 2003, Shanghai Aurora Program Young Scholars (上海市曙光計劃青年學者) by the Shanghai Education Development Foundation (上海市教育發展基金會) in 2000.

Dr. Wang obtained his bachelor’s degree in agricultural economics management from Nanjing Agricultural University (南京農業大學) in the PRC in July 1990 and his doctorate degree in land resource management from Nanjing Agricultural University in the PRC in July 1996.

Dr. CHEN Shengqun (陳勝群), aged 62, is an independent non-executive Director.

Dr. Chen served as a cadre member (幹部) in Wuxi Textile Machinery Specialized Parts Factory (無錫紡織機械專件廠) from July 1984 to February 1985. Dr. Chen served as a teacher at the School of Management and Cadre of the Ministry of Textile Industry (紡織工業部管理幹部學院) from February 1985 to September 1989. From July 1998 to April 2001, Dr. Chen served as the chief of budget management department at China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601601) and the H shares of which were listed on the Stock Exchange (stock code: 2601). From May 2001 to July 2002, Dr. Chen served as a senior researcher at the Center for Accounting and Financial Studies at the Hong Kong Polytechnic

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

University (香港理工大學會計與金融研究中心). From July 2002 to November 2003, he served as the deputy general manager of the planning and finance department of Taiping Insurance Co., Ltd. (太平保險有限公司). Dr. Chen served as a department manager of China Dadi Property Insurance Co., Ltd. (中國大地財產保險股份有限公司) from December 2003 to January 2006. From January 2006 to October 2011, he served as an assistant to general manager of China Re Asset Management Co., Ltd. (中再資產管理股份有限公司). Dr. Chen served as an associate researcher at Shanghai National Accounting Institute (上海國家會計學院) from May 2013 to November 2022. From April 2018 to July 2024, Dr. Chen has served as an independent director and the convenor of the risk control and audit committee of China National Accord Medicines Corporation Ltd. (國藥集團一致藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000028). Since May 2023, Dr. Chen has served as an independent director at Suzhou iPotisEdge Co., Ltd (蘇州精控能源科技股份有限公司). Since May 2024, he has served as an independent director at Zhejiang Shapuaisi Pharmaceutical Co., Ltd. (浙江莎普愛思藥業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603168).

Dr. Chen obtained his bachelor’s degree in dyeing and finishing engineering (染整工程) from East China Institute of Textile Engineering (華東紡織工學院), currently known as Donghua University (東華大學), in the PRC in July 1984. He pursued his post-graduate study from September 1989 and further obtained his master’s degree in July 1991, and doctorate degree in August 1996, both in accounting from Xiamen University in the PRC. From October 1993 to January 1996, Dr. Chen completed his study in business administration at Sino-Japanese Joint Doctoral Program at Kyushu University, Japan. From September 1996 to June 1998, he was engaged in his post-doctoral research at Shanghai University of Finance and Economics in the PRC. Dr. Chen was qualified as a senior accountant by Bank of Communications Co., Ltd. (交通銀行股份有限公司).

BOARD OF SUPERVISORS

The following table sets forth certain information of our Supervisors:

Name	Age	Position	Principal roles and responsibilities	Date of joining our Company	Date of appointment as Supervisor	Relationship with other Directors, Supervisors and senior management
Mr. YAN Chonghao (閆肅昊)	49	Chairperson of the Supervisory Committee	Supervising the Board and senior management as well as operation and financial activities of our Group	June 2021	June 2021	None
Mr. TAO Weibin (陶偉斌)	57	Supervisor	Supervising the Board and senior management as well as operation and financial activities of our Group	May 2017	May 2017	None
Mr. REN Shaojun (任少軍)	36	Employee representative Supervisor	Supervising the Board and senior management as well as operation and financial activities of our Group	November 2016	June 2021	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. YAN Chonghao (閆翀昊), aged 49, is a Supervisor and the chairperson of the Supervisory Committee of our Company.

Mr. Yan served as the financial manager of Fuiou Network from November 2008 to April 2012. He rejoined Fuiou Group in February 2021 and has served in various positions within Fuiou Group. He is currently the general manager of financial department in Fuiou Group. Prior to that, Mr. Yan worked at finance department in Sinoway Investment Corporation (華夏西部經濟開發有限公司) from August 2004 to August 2007. From May 2015 to February 2018, Mr. Yan served as chief financial officer of Shanghai Daojane Investment Co., Ltd. (上海道傑投資有限公司), and from March 2018 to January 2021, he served as the senior assistant to the president and general manager of business support center in Shanghai Tianjiu Sharing Enterprise Development (Group) Co., Ltd. (上海天九共享企業發展(集團)有限公司).

Mr. Yan obtained his master of business administration from Shanghai University for Science and Technology (上海理工大學) in the PRC in March 2010.

Mr. TAO Weibin (陶偉斌) (former name: TAO Weibing (陶衛兵)), aged 57, is a Supervisor. Mr. Tao has served as a director of Fuiou Group since December 2015. He has served as a supervisor of Shanghai Jinyi Industrial Investment Co., Ltd. (上海金頤實業投資股份有限公司) since September 2016. He currently serves at Anhui Yuanlong Biotechnology Co., Ltd. (安徽元隆生物技術有限公司) and has been a director thereof since February 2012.

Mr. Tao obtained his bachelor’s degree in civil engineering through online education programme from China University of Geosciences (中國地質大學) in July 2008 in the PRC.

Mr. REN Shaojun (任少軍), aged 36, is the employee representative Supervisor. He has been a product manager of our financial cooperation department since November 2016. Prior to joining our Group, Mr. Ren served as a key account manager of Shanghai Fuiou Commercial Factoring Co., Ltd. (上海富友商業保理有限公司), a subsidiary of Fuiou Group, from April 2014 to November 2016.

Mr. Ren obtained his bachelor’s degree in finance through long-distance learning from Shandong University (山東大學) in the PRC in January 2014.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of the Group:

Name	Age	Position	Principal roles and responsibilities	Date of joining our Company	Date of appointment as Senior Management	Relationship with other Directors, Supervisors and senior management
Ms. ZHANG Yiqun (張軼群)	53	Chairperson of the Board and executive Director	Responsible for the overall management and operations, external affairs and financial management of our Group	July 2011	May 2017	None
Mr. FU Xiaobing (付小兵)	47	Executive Director and general manager	Responsible for overall business operations and investment execution of our Group	July 2011	April 2024	None
Mr. LIU Baichuan (劉百川)	41	Executive Director, general manager of finance department, general manager of the office of the Board and Board of Supervisors, and securities affairs representative	Responsible for the financial management, management of affairs of the Shareholders' meeting, the Board, and the Supervisory Committee, and investor relations management of the Group	February 2016	[•]	None
Ms. CHENG Xuelian (程雪蓮)	55	Deputy general manager, board secretary and chief financial officer	Responsible for the financial management, accounting affairs and public relations of our Group	February 2016	September 2016	None
Ms. WANG Hui (王慧)	43	Deputy general manager	Responsible for the daily operations and risk control of our Group	March 2014	September 2017	None

For details of the biographies of Ms. ZHANG Yiqun (張軼群), Mr. FU Xiaobing (付小兵) and Mr. LIU Baichuan (劉百川), see “– Directors – Executive Directors.”

Ms. CHENG Xuelian (程雪蓮), aged 55, is our deputy general manager, board secretary and chief financial officer.

Prior to joining our Group, Ms. Cheng worked at Ernst & Young Dahua Certified Public Accountants Co., Ltd. (安永大華會計師事務所) from May 1999 to May 2002. From June 2002 to October 2014, Ms. Cheng consecutively served as a director, deputy general manager, board secretary and chief financial officer of China Textile Machinery Co., Ltd. (中國紡織機械股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600610.SH). From February 2016 to September 2016, she served as the board secretary of Fuiou Group.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Cheng obtained the Qualification Certificate of Speciality and Technology in Accounting conferred by the Ministry of Finance of the PRC in May 1996. She has also been a member of China Association of Chief Financial Officers (中國總會計師協會) since October 2014.

Ms. Cheng obtained a master’s degree in business administration from the Asia (Macau) International Open University (亞洲(澳門)國際公開大學) through on-the-job studies in December 2004.

Ms. WANG Hui (王慧), aged 43, is a deputy general manager of our Company.

Prior to joining our Group, Ms. Wang served as a product manager of Zhiqian IT (Shanghai) Co., Ltd. (直錢信息技術(上海)有限公司), Kuaiqian Payment and Settlement Service Co., Ltd. (快錢支付清算信息有限公司) and Fuiou Network from January 2006 to September 2006, October 2006 to December 2007 and June 2008 to July 2010 respectively.

Ms. Wang obtained her bachelor’s degree in computer science and technology from Guilin University of Electronic Technology (桂林電子科技大學) in the PRC in June 2004.

JOINT COMPANY SECRETARIES

Ms. Cheng Xuelian (程雪蓮), is our secretary of the Board and a joint company secretary. For details of her biography, please see “Senior Management” in this section above.

Mr. CHUNG Ming Fai (鍾明輝), is a joint company secretary of our Company. He has over 19 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Since June 2022, Mr. Chung has been serving in the corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited and is mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange.

Mr. CHUNG was admitted as a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia in February 2008 and October 2007 respectively. He obtained his bachelor’s degree in commerce from the Australian National University in December 2003.

BOARD COMMITTEES

Our Company has established four Board Committees in accordance with the relevant PRC laws and regulations, the Articles and the corporate governance practice under the Listing Rules, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Audit Committee

We have established an audit committee (the “**Audit Committee**”) in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three Directors, namely Dr. CHEN Shengqun, Mr. CHEN Jin and Dr. WANG Hongwei. Dr. CHEN Shengqun currently serves as the chairperson of the Audit Committee. The primary duties of the Audit Committee are as follows:

- (i) to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;
- (ii) to review the financial information and relevant disclosures of the Company;
- (iii) to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;
- (iv) to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of internal audit of the Company and formulate the medium- to long-term audit plan, annual working plan and internal audit system setting plan of the Company as authorized by the Board, and report to the Board;
- (v) to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;
- (vi) to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;
- (vii) to monitor the non-compliance of the Company in respect of the financial reports and the risk management and internal control; and
- (viii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Remuneration and Appraisal Committee

We have established a remuneration and appraisal committee (the “**Remuneration and Appraisal Committee**”) in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Remuneration and Appraisal Committee consists of three Directors, namely Mr. CHEN Jin, Dr. WANG Hongwei and Mr. LIU Baichuan. Mr. CHEN Jin currently serves as the chairperson of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Appraisal Committee are as follows:

- (i) to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and
- (ii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

Nomination Committee

We have established a nomination committee (the “**Nomination Committee**”) in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Nomination Committee consists of three Directors, namely Dr. WANG Hongwei, Dr. CHEN Shengqun and Ms. ZHANG Yiqun. Dr. WANG Hongwei currently serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee are as follows:

- (i) to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;
- (ii) to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;
- (iii) to preliminarily examine the eligibility of candidates for Directors and senior management;
- (iv) to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and
- (v) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Strategy Committee

We have established a strategy committee (the “**Strategy Committee**”). The Strategy Committee consists of five Directors, namely Ms. ZHANG Yiqun, Dr. CHEN Jian, Dr. WANG Hongwei, Mr. CHEN Jin and Mr. FU Xiaobing. Ms. ZHANG Yiqun currently serves as the chairperson of the Strategy Committee. The primary duties of the Strategy Committee are as follows:

- (i) to review and formulate our Company’s long-term development strategy plan and make recommendations;
- (ii) to review and make recommendations on major investment and financing plans that are subject to approval by our Board as stipulated in the Articles of Association;
- (iii) to review and make recommendations on major capital operation and asset management projects that are subject to approval by our Board as stipulated in the Articles of Association;
- (iv) to review and make recommendations on other major issues affecting the development of our Company; and
- (v) to perform other duties and responsibilities as assigned by our Board.

BOARD DIVERSITY POLICY

Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to our Board.

Our Board currently consists of one female Director and six male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance, accounting and risk management. The Company is of the view that the Board satisfies our board diversity policy.

Our Nomination Committee is responsible for the implementation of our board diversity policy. Upon completion of the [REDACTED], our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CONFIRMATION FROM OUR DIRECTORS

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in April or September 2024, and (ii) understands his or her obligations as a director of a listed issuer on the Stock Exchange under the Listing Rules.

Each of the independent non-executive Directors confirms (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

Save as disclosed in this document, (i) none of our Directors and Supervisors had any other relationship with any Directors, Supervisors or senior management of our Company as of the Latest Practicable Date; (ii) none of our Directors and Supervisors held any directorship in any other listed companies in the three years immediately prior to the date of this document; and (iii) as of the Latest Practicable Date, none of our Directors (other than our independent non-executive Directors) had interests in business, which competes or is likely to compete, either directly or indirectly with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Save as disclosed below, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of our Shareholders as of the Latest Practicable Date.

Ms. Zhang Yiqun, our executive Director and the chairperson of the Board, was subject to a fine imposed by PBOC Shanghai Branch, which did not affect her suitability as chairperson of the Board and our executive Director. For further details, please refer to the section headed “Business – Legal and Regulatory Proceedings and Compliance – Regulatory Inspections”.

Mr. Chen Jin, our independent non-executive Director, had served as the general manager of ZhongAn Insurance from May 2014 to July 2019. In July 2021, CBIRC, after its investigation in 2018, issued an administrative penalty decision against ZhongAn Insurance and several then management members of ZhongAn Insurance, including Mr. Chen Jin, due to the breaches of relevant provisions under Insurance Law of the People’s Republic of China by ZhongAn Insurance. According to the decision, the promotion terms for certain insurance products of ZhongAn Insurance posted on its self-operated and third party-operated platforms did not correspond to the terms or facts in the course of health insurance business. In this connection, in view of Mr. Chen Jin’s managerial responsibilities as then general manager, CBIRC issued against him a warning and a fine of RMB100,000 (the “**CBIRC Penalty**”).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Notwithstanding the CBIRC Penalty, the Directors (excluding Mr. Chen Jin) are of the opinion that Mr. Chen Jin is suitable to act as a Director pursuant to Rules 3.08 and 3.09 of the Listing Rules, having regard to the following reasons:

- (a) Mr. Chen Jin has been serving as a Director since May 2020, after the incident and investigation relevant to the CBIRC Penalty. As confirmed by our PRC Legal Advisors, the CBIRC has not imposed any penalty on Mr. Chen Jin which may result in his disqualification to hold directorship in our Company in respect of the CBIRC Penalty;
- (b) the decision of the CBIRC Penalty was issued against Mr. Chen Jin due to his management responsibility for overall operations rather than his personal dishonesty;
- (c) based on information available, as of the Latest Practicable Date, there has not been any rulings made by the competent authorities that may affect Mr. Chen Jin's suitability to act as a director of a listed company;
- (d) to the best knowledge of our Company and as confirmed by Mr. Chen Jin, he does not have any other non-compliance record;
- (e) according to the announcement of ZhongAn Insurance, it has conducted all corresponding corrective measures in a timely manner after the inspection, and the CBIRC Penalty has no material impact on the business operation and financial position of Zhongan Insurance; and
- (f) Mr. Chen Jin has joined training sessions on directors' duties and corporate governance of Hong Kong listed companies, so as to keep abreast of the laws and regulations applicable to Hong Kong listed companies and their directors.

Based on the following due diligence work performed, nothing has come to the attention of the Joint Sponsors that would raise their concern on the Mr. Chen Jin's suitability to act as a Director under Rule 3.08 and 3.09:

- (i) Obtaining written responses from Mr. Chen Jin to the due diligence questionnaire concerning the CBIRC Penalty to understand, among others, (a) the background of the CBIRC Penalty, (b) whether the CBIRC Penalty concerned any misconduct of Mr. Chen, (c) whether the CBIRC Penalty has resulted in any material impact on the Company's operation, and (d) whether the CBIRC Penalty had any impact on Mr. Chen's suitability as a Director. It was confirmed by Mr. Chen that no misconduct of himself was identified leading to the occurrence of the CBIRC Penalty and the CBIRC Penalty did not have material impact on our Group's operation;
- (ii) Engaging an independent search agent to conduct background search, litigation search and bankruptcy search on Mr. Chen, obtaining written responses from Mr. Chen to the due diligence questionnaire prepared based on the search results, and it was concluded that the search results revealed no material findings which might impose a negative impact on his suitability as a Director;

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- (iii) Discussing with the PRC Legal Advisor regarding any potential legal implication on Mr. Chen’s suitability as a Director arising from the CBIRC Penalty, and understanding that the CBIRC Penalty did not affect Mr. Chen’s suitability as a Director; and
- (iv) Obtaining and reviewing underlying documents relating to the CBIRC Penalty (including the relevant administrative penalty decisions) and the qualification of the Mr. Chen to ensure that the no misconduct of Mr. Chen was involved in the Relevant Events and his competency as a Director.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management members receive remuneration in the forms of salaries, allowances, contribution to pension schemes, discretionary bonuses and other benefits in kind.

The aggregate amount of remuneration (including salaries, allowances, contribution to pension schemes and discretionary bonuses) and other benefits in kind paid to our Directors and Supervisors for the three years ended December 31, 2022, 2023 and 2024 were approximately RMB5.05 million, RMB6.89 million and RMB6.80 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration (including any discretionary bonus which may be paid) payable by our Group to our Directors and Supervisors for the financial year ending December 31, 2025 is expected to be approximately RMB7.19 million.

The aggregate amount of fees, salaries, allowances, discretionary bonus, pension schemes contribution and other benefits in kind (if applicable) paid to the five highest-paid individuals of our Group for the three years ended December 31, 2022, 2023 and 2024 were approximately RMB10.07 million, RMB14.91 million and RMB14.93 million, respectively.

During the Track Record Period, there was no remuneration paid or payable by our Company to our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. During the Track Record Period, there was no compensation paid or payable by our Company to our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors has waived or agreed to waive any remuneration or benefits in kind. Save as disclosed above, there was no other payments paid or payable by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules after the [REDACTED].

EMPLOYEE INCENTIVE SCHEME

For more information, see “Appendix VII – Statutory and General Information – Further Information about Our Directors, Supervisors, Management and Substantial Shareholders – Share Incentive Plan.”

COMPLIANCE ADVISER

We have appointed Caitong International Capital Co., Limited as our compliance adviser (the “**Compliance Adviser**”) upon the [REDACTED] pursuant to Rule 3A.19 of the Listing Rules. The material terms of the compliance advisor’s agreement are as follows:

- (i) Caitong International Capital Co., Limited shall act as our Compliance Adviser for the purpose of Rule 3A.19 of the Hong Kong Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED], or until the agreement is terminated, whichever is earlier;
- (ii) the Compliance Adviser will provide us with certain services, including proper guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, regulations and rules;
- (iii) the Compliance Adviser will, as soon as reasonably practicable, inform us of any amendment or supplement to the Hong Kong Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules in Hong Kong applicable to the Company; and
- (iv) the Compliance Adviser will act as an additional channel of communication of the Company with the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the conversion of Domestic [REDACTED] Shares into H Shares and assuming the [REDACTED] is not exercised, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Nature of Interest	Description of Shares	Number of Shares ⁽¹⁾	Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	
				Approximate percentage of shareholding in the Domestic [REDACTED] Shares/H Shares	Approximate percentage in the total registered share capital of our Company
Fuiou Group	Beneficial owner	Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]	[REDACTED]
Dr. CHEN Jian (陳建).	Interest in a controlled corporation ⁽²⁾	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interest of spouse ⁽³⁾	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Ms. CAI Meizhen (蔡美珍). . . .	Beneficial owner	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interest of spouse ⁽³⁾	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Mr. ZHU Lingjun (朱靈君). . . .	Beneficial owner	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interest of spouse ⁽⁴⁾	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Ms. ZHU Xuelin (朱雪林).	Beneficial owner	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interest of spouse ⁽⁴⁾	H Shares	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) All interests are long positions.
- (2) As of the Latest Practicable Date, Dr. Chen Jian is the general partner of Fuiou Hao, and therefore is deemed to be interested in the Shares held by Fuiou Hao in our Company.
- (3) Dr. Chen Jian and Ms. Cai Meizhen are spouses. Therefore, under the SFO, Dr. Chen Jian and Ms. Cai Meizhen are deemed to be interested in the Shares of our Company held by each other.
- (4) Mr. Zhu Lingjun and Ms. Zhu Xuelin are spouses. Therefore, under the SFO, Mr. Zhu Lingjun and Ms. Zhu Xuelin are deemed to be interested in the Shares of our Company held by each other.

SUBSTANTIAL SHAREHOLDERS

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, see “Appendix VII – Statutory and General Information – Disclosure of Interests – Substantial Shareholders.”

Save as disclosed herein, the Directors are not aware of any other person who will, immediately following the [REDACTED] and the conversion of Domestic [REDACTED] Shares into H Shares (and the [REDACTED] of any additional H Shares pursuant to the [REDACTED]), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

SHARE CAPITAL

OUR SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the [REDACTED].

Immediately before the [REDACTED]

As of the Latest Practicable Date, the registered capital of our Company was RMB360,000,000, comprising 360,000,000 ordinary shares of nominal value RMB1.00 each.

Upon the Completion of the [REDACTED]

Immediately following completion of the [REDACTED] and Conversion of Domestic [REDACTED] Shares into H Shares (assuming the [REDACTED] is not exercised), the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]
H Shares converted from Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.00

The Conversion of Domestic [REDACTED] Shares into H Shares will involve an aggregate of [REDACTED] Domestic [REDACTED] Shares held by [REDACTED] out of 68 existing Shareholders, representing approximately [REDACTED]% of total issued Shares of the Company upon completion of the Conversion of Domestic [REDACTED] Shares into H Shares and the [REDACTED] (assuming the [REDACTED] is not exercised). Set out below are such Shares held by our existing Shareholders and their respective shareholding upon completion of the Conversion of Domestic [REDACTED] Shares into H Shares and the [REDACTED] (assuming the [REDACTED] is not exercised).

SHARE CAPITAL

Shares immediately after the [REDACTED] (assuming the [REDACTED] is not exercised) and the Conversion of Domestic [REDACTED] Shares into H Shares					
Shareholders	Number of Domestic [REDACTED] Shares to be converted into H Shares	H Shares	Approximate Percentage (%)	Domestic [REDACTED] Shares	Approximate Percentage (%)
Fuiou Group	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fuiou Hao	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Tianzi	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CAI Meizhen (蔡美珍)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TAO Weibin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
ZHU Lingjun (朱靈君)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
YU Li (余麗)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
YU Sheng (余盛)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
XU Weiping (許衛平)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
WANG Minghua (王明華)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tongling Jingda	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
LI Jianhong (李劍虹)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
ZHU Xuelin (朱雪林)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
LOU Shunming (樓順明)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dingying Hongxiang	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
NI Xiaoqiang (倪孝強)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
WANG Hua (王華)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
LAI Pengfei (賴鵬飛)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jinggangshan Tomorrow	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
WANG Jisheng (王紀生)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
HU Qiang (胡強)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FAN Guangshou (范廣壽)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
ZHENG Xiaoping (鄭小平)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
JIN Wei (金偉)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CHU Yue (諸越)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
WANG Cheng (王成)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other Shareholders ^(Note)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note: Other Shareholders include 38 individual Shareholders, each an Independent Third Party, and four corporate Shareholders, including Shanghai Yuyunchen Investment Center (Limited Partnership) (上海宇雲辰投資中心(有限合夥)) (“**Shanghai Yuyunchen**”), Shanghai Mugen Investment Management Centre (L.P.) (上海木根投資管理中心(有限合夥)) (“**Shanghai Mugen**”), Shanghai Jinxian Network Technology Co., Ltd. (上海金線網絡技術有限公司), Hangzhou Xu’ang Technology Co., Ltd. (杭州旭昂科技有限公司) (“**Hangzhou Xu’ang**”). Among such corporate Shareholders:

- (1) Shanghai Yuyunchen is a limited partnership established in the PRC. As of the Latest Practicable Date, its general partner was LIU Xin (劉昕), and its limited partner was HUANG Yan (黃艷). To the best knowledge of our Directors, Shanghai Yuyunchen and its partners are Independent Third Parties.

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- (2) Shanghai Mugen is a limited partnership established in the PRC. As of the Latest Practicable Date, its general partner was Shanghai Genesis Investment Management Co., Ltd. (上海零加壹投资管理有限公司), and it had seven individual limited partners. To the best knowledge of our Directors, Shanghai Mugen and its partners are Independent Third Parties.
- (3) Hangzhou Xu’ang is a limited liability company established in the PRC, and none of the shareholders of Hangzhou Xu’ang held over 30% of its equity interest as of the Latest Practicable Date. To the best knowledge of our Directors, Hangzhou Xu’ang and its shareholders are Independent Third Parties.

Immediately following completion of the [REDACTED] and Conversion of Domestic [REDACTED] Shares into H Shares, assuming the [REDACTED] is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]
H Shares converted from Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[100.00]

DOMESTIC [REDACTED] SHARES AND H SHARES

Upon the completion of the [REDACTED] and the Conversion of Domestic [REDACTED] Shares into H Shares, the Shares will consist of Domestic [REDACTED] Shares and H Shares. Domestic [REDACTED] Shares and H Shares are all ordinary Shares in the share capital of our Company.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Domestic [REDACTED] Shares held by whom will be converted into H Shares according to the filing information of CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic [REDACTED] Shares and H Shares shall rank pari passu with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic [REDACTED] Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF DOMESTIC [REDACTED] SHARES INTO H SHARES

If any of the Domestic [REDACTED] Shares are to be converted, [REDACTED] and traded as H Shares on the Hong Kong Stock Exchange, such conversion, [REDACTED] and trading will need the filing of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

SHARE CAPITAL

File with the CSRC for Full Circulation

In accordance with the Trial Measures and related guidelines, H-share [REDACTED] companies shall file with the CSRC for the conversion of Domestic [REDACTED] Shares into H shares for [REDACTED] and circulation on the Hong Kong Stock Exchange. An [REDACTED] domestic joint stock company may file for “full circulation” when applying for an overseas [REDACTED].

We have filed with the CSRC for the conversion of [REDACTED] Domestic [REDACTED] Shares into H Shares on a one-for-one basis (“**Conversion of Domestic [REDACTED] Shares into H Shares**”) upon the completion of the [REDACTED] (“**Full Circulation Filing of the Company**”) and CSRC issued the filing notice in respect of the [REDACTED] dated [•].

[REDACTED] Approval by the Stock Exchange

We have applied to the [REDACTED] of the Hong Kong Stock Exchange for the granting of [REDACTED] of, and permission to [REDACTED], our H Shares to be issued pursuant to the [REDACTED] (including any H Shares which may be issued pursuant to the exercise of the [REDACTED]), and the H Shares to be converted from [REDACTED] Domestic [REDACTED] Shares on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the following procedures for the conversion of Domestic [REDACTED] Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our [REDACTED] regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by [REDACTED] for deposit, clearance and settlement in the [REDACTED].

REGISTRATION ON TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

In accordance with Article 141 of the PRC Company Law, the shares issued prior to any [REDACTED] of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are [REDACTED] and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the [REDACTED] will be subject to such statutory restriction on transfer within a period of one year from the [REDACTED]. See “History, Development and Corporate Structure – Lock-up Period and Public Float.”

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or repurchase of shares. See “Appendix VI – Summary of the Articles of Association” in this document.

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You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants’ Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed “Risk Factors” and “Business.”

For the purpose of this section, unless the context otherwise requires, references to 2022, 2023 and 2024 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are an integrated digital payment technology platform in China across multiple domains providing multichannel payment services as well as technology, management and other value-added services to empower customers of all sizes and various industries under different commercial scenarios.

Our digital payment technology platform is purpose-built for facilitating authentic commercial activities. Evolving market demands and technological advancements drive us to continuously refine our technologies and offerings with a customer-centric approach. After years of continuous market operation, innovation and accumulation of experience across various commerce scenarios, we have developed a mature digital payment technology platform that empowers business activities and enhances efficiency and security of both capital and information flow.

We hold recognized brand dominance and a prominent market position in China’s integrated digital payment market. We were among the first in China to offer multichannel digital payment and digital commerce-enabling solutions and were among the first to receive approval to carry out cross-border foreign exchange payment services, according to Frost & Sullivan. Many of our offerings are among the first within the industry, such as acquiring services, cross-border digital payment and account operation services.

Leveraging the scalability of our technology platform and the network effects of our ecosystem, we had achieved significant growth and operating leverage during the Track Record Period. Our revenue increased from RMB1,142.4 million in 2022 to RMB1,634.3 million in 2024 with a CAGR of 19.6%. The

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TPV processed by our platform increased from RMB1.73 trillion in 2022 to RMB2.08 trillion in 2024, with a CAGR of 9.7%. We saw a decreasing trend in our operating expenses as a percentage of revenue during the Track Record Period, from 22.1% in 2022 to 19.0% in 2024.

BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards (“**IFRSs**”), which includes IFRS Accounting Standards, International Accounting Standard (“**IAS**”) and the related interpretations issued by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations). In addition, the Historical Financial Information includes applicable disclosures required by the Listing Rules and the Companies Ordinance.

For the purpose of preparing and presenting the Historical Financial Information, all relevant standards, amendments and interpretations to the IFRS Accounting Standards that are effective during the Track Record Period have been adopted by us consistently throughout the Track Record Period, unless otherwise stated.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5 to the Accountants’ Report included in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The major factors that directly or indirectly affect our business, financial conditions, results of operations and prospects include:

General Factors

General Market and Economic Conditions

Our financial performance is largely affected by a multitude of factors including the growth of China’s GDP per capita, consumption expenditure, the global and domestic economic conditions, the e-commerce development and expansion of global commerce, among others. These factors, which are influenced by various macroeconomic indicators such as GDP growth, foreign exchange rates, and interest rates, directly and indirectly affect our TPV, number of transactions, number of customers using our integrated digital payment services, and their demand and willingness to pay for our digital commerce-enabling solutions.

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In addition, our revenue mainly depends upon the growth and the prospects of our customers, which mainly include small and mid-sized merchants and enterprises in different industry verticals and financial institutions. The small and mid-sized merchants and enterprises have historically been underserved by financial institutions and had relatively limited financial recourses, which make them more susceptible to adverse changes in market, economic and regulatory conditions. The financial institutions, which underpin the financial infrastructure that supports the commercial activities of merchants and enterprises, also depend upon the overall level of economic conditions and consumer spending in China.

Development and Growth of Integrated Digital Payment Market

The growth of our business is driven by the development of integrated digital payment market globally and in China. Our customer base, TPV and number of transactions are affected by the trend of digitalization, technology development, industry landscape and outlook of various industries in which our customers operate. According to Frost & Sullivan, driven by increasing popularity of digital payment tools and their integration into a broader range of payment scenarios, and the diversification of consumption scenarios, the TPV of China’s integrated digital payment market has increased from RMB150.1 trillion in 2019 to RMB268.6 trillion in 2024, representing a CAGR of 12.3% from 2019 to 2024, and is expected to reach RMB485.2 trillion in 2028, at a CAGR of 16.8% from 2025 to 2028. Holding recognized brand dominance and a prominent market position in China’s integrated digital payment market, we believe we are well positioned to capture the market’s growth and maintain a competitive position within the industry.

Regulatory Environment and Government Policies

China’s payment industry is an emerging and evolving market. The applicable laws, rules and regulations are continuously developing and evolving. Our results of operations, financial condition and prospects are subject to the changes in the regulatory environment, such as changes relating to payment processing and settlement, consumer protection, foreign exchange, and anti-money laundering. Currently, China’s payment industry is experiencing rapid evolution within a stricter regulatory framework. For example, more rigorous regulations aimed at safeguarding consumer finances and ensuring data privacy have been issued, mandating non-bank payment institutions to fortify their systems and technologies, prudently oversee payment accounts, and apply strict measures to safeguard funds, which requires investment in technology infrastructure, operational processes and legal expertise. These investments can be substantial and may affect profit margins. We believe that our ability to broaden the scope of our services and expand our business geographically has been, and will continue to be, materially affected by changes in the policies, laws and regulations governing China’s payment industry. In particular, the policies, laws and regulations could restrict the business models, fee structures and business scopes we could adopt which in turn could affect our business, financial position, results of operations and future prospects. See “Regulatory Environment” and “Risk Factors – We are subject to extensive regulatory requirements, and noncompliance with or changes to these regulatory requirements may affect our business operations and financial results.”

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Company-Specific Factors

Ability to Retain and Expand Our Customer Base

Our revenue primarily consists of revenue from integrated digital payment services and digital commerce-enabling solutions, which in turn is driven by the number of customers we serve, along with the extent and amount of digital payment and additional solutions they use. We are committed to refining our comprehensive integrated digital payment services to boost engagement and transaction volumes among existing customers while attracting new customers. Evolving market demands and technological advancements drive us to continuously refine our offerings with a customer-centric approach.

Our active customers increased from 1.4 million in 2022 to 2.1 million in 2024, with a CAGR of 22.6%. The TPV processed by our platform increased from RMB1.73 trillion in 2022 to RMB2.08 trillion in 2024, with a CAGR of 9.7%. Growing number of customers and transactions within our open ecosystem will further attract new partners to join and continuously expand the scale of our sales network. Such expansion enables us to reach more potential customers in diverse scenarios, driving continuous enrichment and improvement of our products and services. Furthermore, we plan to expand our geographical reach and diversify our industry presence, entering new regions and catering to a broader range of industries. This expansion will allow us to tap into untapped markets and unlock new growth opportunities.

Our Ability to Invest in Research and Development

Our strong in-house research and development capabilities are the foundation of our continued success and growth. We have implemented a modular and plugin-based development approach for our payment system, resulting in the creation of numerous functional modules and subsystems. This approach has significantly enhanced our research and development efficiency, enabling rapid iteration, product innovation and business expansion. Our comprehensive payment network and technology platform capabilities empower ecosystem partners with payment and digital solutions on top of standard products and services.

We are also committed to investing in our research and development capabilities and expanding our research and development team to support our business development and maintain our technological advantages. As of December 31, 2024, we had 185 research and development personnel, representing 36.3% of our total employees. Going forward, we plan to continue investing in our technology platform and infrastructure to support continuous product innovation.

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Our Ability to Improve Efficiency and Increase Operating Leverage

Our financial performance is significantly bolstered by our ongoing commitment to improving efficiency and increasing operating leverage for multichannel payment and commerce-enabling solutions. The enhanced coverage across different scenarios and customers fosters a network effect, strengthening the self-reinforcing nature of our ecosystem and generating significant economies of scale. While our active customer base continued to enlarge during the Track Record Period, our average customer acquisition cost decreased from RMB38.4 in 2022 to RMB35.6 in 2023, and further to RMB25.5 in 2024.

As we expand our business scale, we saw a decreasing trend in our operating expenses as a percentage of revenue during the Track Record Period, from 22.1% in 2022 to 19.0% in 2024, indicating significant operating leverage and our ability to capitalize on economies of scale. Our focus on operational efficiency and operating leverage not only drives profitability but also ensures that we remain competitive in the dynamic integrated digital payment market.

Relationship with Our Ecosystem Partners

Partners and suppliers are critical to our business. We have built a wide network of partners that support our digital payment and commerce-enabling services. Our partners help deliver differentiated and increased variety of experience for our customers. We have established strategic partnerships with various types of business partners, including banks, clearing institutions and payment networks, e-commerce platforms, SaaS providers and aggregated payment platforms. We believe our ability to strengthen our relationship and bargaining power with these partners and suppliers has affected, and will continue to affect, our profitability.

Our commission paid to channel partners have historically been important to our cost of sales. During the Track Record Period, most of our customers for acquiring services were acquired through channel partners. Our ability to expand our client base through our channel partners network while controlling corresponding commission and client acquisition costs is critical to our results of operations in the future. Expanding or strengthening our relationship with business partners and enhancing our bargaining power on processing fees will further enable us to reduce costs of payment processing and drive our profitability in the future.

Ability to Cross-sell Products and Solutions

Our ability to develop new service offerings, cross-sell services to existing and new customers, and replenish our offering pipeline with additional solutions that our customers need has a significant impact on our results of operations and business prospects. Our open ecosystem coupled with strong in-house research and development capabilities have empowered us to develop comprehensive digital payment solutions, offering extensive cross-selling opportunities, improving user experience and enhancing user stickiness. Leveraging advanced technologies such as AI, big data and cloud computing, we have built a proprietary payment technology platform that combines stability, security, efficiency and convenience. We will remain committed to invest in the development of our service qualities and solution matrix, with the objective of embedding new technologies within our services and solutions offerings, better serving

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our customers and enhancing customer experience. The creation of these new offerings is influenced by various factors, such as legal and regulatory frameworks of the payment industry, industry norms, modularization and productization capability of our payment platform, understanding of customers’ needs, acceptance from customers and cooperation and relationship with our ecosystem partners. We expect that our new service and solutions mix will continue to have a positive impact on our overall financial performance.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

We set forth below accounting policies which we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in details in Notes 2 and 4 to the Accountants’ Report included in Appendix I to this document.

Revenue Recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

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If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or service.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on our relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, we are estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumption and estimations have been made in estimating the relative selling price of each distinct performance obligations and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to us, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Integrated digital payment services

Domestic payment services

We provide domestic payment services to help customers accept, process and settle payment transactions across point-of-sale (“POS”) terminals, Internet payment and mobile payment scenarios. Service revenue is recognized for each payment transaction handled by us at an amount calculated based on the total payment value made by the consumers and the respective applicable service fee rates contractually agreed between us and the relevant merchant.

Cross-border digital payment services

Cross-border digital payment services are processed in the similar way as domestic payment services. We offer cross-border digital payment services to both cross-border e-commerce platforms and merchants engaged in cross-border businesses.

We assessed that revenue from integrated digital payment services rendered to the customer is recognized at a point in time, upon completion of the payment services for each transaction. The service fee rates are determined based on the agreements entered into between us and the customer. Service revenue is recognized for each payment transaction handled by us at an amount calculated based on the total payment value made by the consumers and the respective applicable service fee rate, net of processing fees levied by various third party payment networks.

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Principal vs agent – integrated digital payment services

We considered that we act as a principal in offering integrated digital payment services to the merchants as we (1) are the primary obligor in the arrangement; (2) have latitude in establishing the selling price, *i.e.* service fee rate; (3) have involvement in the determination of services specifications; and (4) have discretion in the selection of channels to assist our payment services and to maintain relationships with our merchants and to handle their enquiries about the services. We share our service revenue with channels in accordance with the service agreements entered into with them and the related commissions are recognized as our cost of revenue of the payment services.

Digital commerce-enabling solutions

We provide a wide variety of digital commerce-enabling solutions, including (i) merchant SaaS solutions; (ii) digital marketing services; (iii) account operation services; and (iv) other solutions including PaaS.

Merchant SaaS solutions

We provide proprietary SaaS solutions for the merchants to empower their daily operation such as smart cashier system, supply chain management system, membership management system and restaurant ordering system. We distribute these software to channels at a contracted price. Revenue is recognized at a point-in time when the system usage right has transferred to the customers.

Digital marketing services

The fee of digital marketing services is mainly calculated based on the CPM (cost per mille) or CPS (cost per sale) models, where advertising is paid on the basis of the increased sale amount or exposure as a result of the advertising. Revenue under such arrangement is recognized at a point in time based on fulfillment of the aforementioned criteria.

Account operation services

We offer an account operation system providing account opening, billing, account inquiries services, technical support, training and consultation services. We charge a combination of fixed annual subscription fee, system access fee and transaction fees based on the specific usage scenarios of the customers. The revenue from fixed annual subscription fee and system access fee are recognized over time and the revenue from transaction fees based on the specific usage scenarios of the customers is recognized at a point in time.

PaaS

We provide software and payment technology solutions for banks and other financial institutions to develop and build tailored payment software and systems according to the specific needs of the financial institution. We charge customers a one-time project fee for each engagement and ongoing subscription and system maintenance fees. Revenue from one-time project fee is recognized at point in time when the system has been transferred to and accepted by the customers, and system maintenance fee is recognized over the services period provided.

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Principal vs agent – Digital commerce-enabling solutions

We considered that we act as a principal in digital commerce-enabling solutions as we (1) are the direct service provider; (2) have latitude in establishing the selling price, *i.e.* service fee rate; (3) have involvement in the determination of services specifications; and (4) associate with the risk that if the services do not meet expectations or if issues arise during service delivery.

Revenue from other sources

Rental income is recognized on a time proportion basis over the lease terms.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Contract liabilities

A contract liability represents our obligation to transfer services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Government grants are not recognized until there is reasonable assurance that we will comply with the conditions attached to them and that the grants will be received. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to us with no future related costs are recognized in profit or loss in the period in which they become receivable.

Investments in Associates and Joint Venture

An associate is an entity in which we have a long-term interest of generally not less than 20% of the equity voting rights and over which we are in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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Our investments in associates and joint venture are stated in the consolidated statement of financial position at our share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Our share of the post-acquisition results and other comprehensive income of associates and joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, we recognize our share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between us and our associates or joint ventures are eliminated to the extent of our investments in the associates or joint venture, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of our investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, we measure and recognize any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Financial Instruments

Financial Assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss (“FVTPL”) are recognized immediately in profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that we commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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Debt instruments

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets at amortized cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain on derecognition is recognized in profit or loss.

Fair value through other comprehensive income (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, we could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income is recognized in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognized in profit or loss.

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Impairment loss on financial assets

We recognize loss allowances for expected credit loss (“ECLs”) on trade receivables and financial assets measured at amortized cost. The ECLs are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which we are exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to us in accordance with the contract and all the cash flows that we expect to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

We measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and have calculated ECLs based on lifetime ECLs. We have established a provision matrix with appropriate groupings or individually assessed for credit impaired debtors. Provision matrix are based on our historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, we consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on our historical experience and informed credit assessment and including forward-looking information.

We assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. We consider a financial asset to be in default when the debtor is unlikely to pay its credit obligations to us in full, without recourse by us to action such as realizing security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- a breach of contract, such as a default or past due event.

We recognize an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to our carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in “FVOCI reserve.”

We write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under our recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

Financial liabilities

We classify our financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortized cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortized cost

Financial liabilities at amortized cost including trade payables and other payables and accruals are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost, using the effective interest method. The related interest expense is recognized in profit or loss.

Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

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Borrowings

Borrowings are recognized initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Lease liabilities

Lease liabilities are measured at present value less lease repayments, see Note 4.9 to the Accountants’ Report included in Appendix I to this document.

Effective interest method

Effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Equity instruments

Equity instruments issued by us are recorded at the proceeds received, net of direct issue costs.

Derecognition

We derecognize a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires.

Fair Value Measurements

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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Our directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values at the end of reporting period.

Fair value measurements are recognised in the combined statement of financial position.

Our financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the inputs are observable and the significance of the inputs to the fair value measurement in its entirety.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Our non-current portion of financial assets at FVTPL and equity instrument designated at FVOCI are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. As of December 31, 2022, 2023 and 2024, our non-current portion of financial assets at FVTPL amounted to approximately RMB11.6 million, RMB11.9 million and RMB10.7 million, respectively, representing fair value of equity investment with redemption rights. As of December 31, 2022, 2023 and 2024, our equity investments designated at FVOCI amounted to approximately RMB3.3 million, RMB52.6 million and RMB52.6 million, respectively, representing fair value of unlisted equity investment. During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Our policy is to recognize transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

In relation to the valuation of the non-current portion of financial assets at FVTPL and equity instrument designated at FVOCI, we have performed the following procedures:

- (i) selected qualified persons with adequate knowledge and conducted valuation on the investments in unlisted companies;
- (ii) engaged a competent independent third-party valuer to appraise the fair value of certain investments that are significant;

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- (iii) reviewed and agreed on the valuation approaches adopted and key assumptions used based on the knowledge and understanding of the industrial data and development and the commercial strategies of the investee business; and
- (iv) approved the results if the procedures were deemed satisfactory.

Based on the above processes, our Directors are of the view that the valuation analysis performed by us is fair and reasonable, and the fair value measurements of level 3 instruments are properly prepared. See Note 45 to the Accountants’ Report included in Appendix I to this document for details.

Share-based Payments

We provide share-based compensation benefits to employees via our restricted share incentive schemes, which are managed under a trust. Information relating to the schemes is set out in Note 33 to the Accountants’ Report included in Appendix I to this document.

The fair value of restricted shares granted to employees is recognized as an employee cost with a corresponding increase in share-based payment reserve within equity. The fair value of restricted shares is measured at grant date using the market price of our shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the restricted shares, the total estimated fair value of the restricted shares is spread over the vesting period, taking into account the probability that the restricted shares will vest.

At the end of each reporting period, we revise our estimate of the number of award shares that are expected to vest. The impact of the revision of original estimates, if any, is recognized in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of restricted shares that vest (with a corresponding adjustment to share-based payment reserve within equity). The equity amount related to restricted shares is recognized in share-based payment reserve until the restricted shares become vested and is settled against employee share trusts.

Impairment of Assets (Other Than Financial Assets)

At the end of reporting period, we review the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognized no longer exists or may have decreased:

- Property, plant and equipment;
- Right-of-use assets;
- Investments in subsidiaries, associates and joint venture;

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- Goodwill; and
- Intangible assets.

Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than our carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the impairment loss is treated as a revaluation decrease under that IFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of our recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. In respect of assets other than goodwill, reversal of an impairment loss is recognized in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that IFRS. An impairment loss in respect of goodwill is not reversed.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU, discounted to our present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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IMPACT OF COVID-19 OUTBREAK

During the Track Record Period, the COVID-19 pandemic has caused restrictions on consumption activities, which in turn had an adverse impact on the payment industry in China. Small and medium-sized merchants have faced challenges in maintaining their physical operations, resulting in a decrease in offline transactions and a negative impact on the acquiring market. During the same periods, primarily due to the impact of the COVID-19 pandemic on our acquiring business, the revenue growth rate of our domestic payment services was at a moderate rate of 8.5% as compared to 35.5% from 2022 to 2023 since the COVID-19 pandemic has subsided. We experienced a decrease in average TPV per active customer for aggregated acquiring in 2022, primarily due to weakened consumer spending during the pandemic and an increase in the number of small and medium-sized customers. Despite occasional disruption to merchants’ physical operations during the pandemic, we successfully expanded our customer base by concentrating on small and medium-sized merchants through sales activities and collaboration with channel partners. This approach helped mitigate the pandemic’s impact and enabled us to maintain overall growth for our business. In addition, our operations are distributed across various regions in China. While a few cities experienced lockdown for a certain period during 2022, most regions in China were not subject to the same level of restrictions. This geographical diversity allowed us to continue engaging with small and medium-sized merchants in areas where operations were less affected. By leveraging our widespread presence, we were able to adapt swiftly to regional variations in restrictions, ensuring continued support and service delivery to our customers. This approach not only facilitated the resilience of our operations but also allowed us to capitalize on opportunities in less affected areas, thereby sustaining our growth trajectory during challenging times.

Notwithstanding the global outbreak of the COVID-19 pandemic, our business showed resilience and maintained an upward trend during the Track Record Period. In response to the negative impact on the acquiring market, we actively expanded our collaboration with banks in the acquiring sector, broadening merchant networks across various industries and different geographical regions. This approach enabled us to maintain a steady growth in both the number of active merchants and the amount of TPV processed. In 2022, 2023 and 2024, we have collaborated with 200, 234 and 217 local branches for providing acquiring services, respectively. Our revenue increased from RMB1,142.4 million in 2022 to RMB1,634.3 million in 2024 with a CAGR of 19.6%. The TPV processed by our platform increased from RMB1.73 trillion in 2022 to RMB2.08 trillion in 2024, with a CAGR of 9.7%. We believe that the COVID-19 pandemic did not have a material adverse effect on our business operations or financial performance during the Track Record Period.

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RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Revenue	1,142,419	1,505,665	1,634,256
Cost of sales	(817,733)	(1,125,630)	(1,210,805)
Gross profit	324,686	380,035	423,451
Other income and other gains or losses – net	16,778	20,955	(8,717)
Selling and distribution expenses	(111,577)	(141,386)	(137,319)
Research and development expenses	(53,793)	(56,880)	(60,698)
Administrative expenses	(87,502)	(92,088)	(112,085)
Reversal of impairment/(impairment loss) on financial assets – net	(382)	907	(673)
Operations profit	88,210	111,543	103,959
Finance income	2,953	2,103	1,651
Finance costs	(7,495)	(6,709)	(7,282)
Share of net loss of joint venture accounted for using the equity method	(2,229)	(3,613)	(3,842)
Share of net profit/(loss) of associates accounted for using the equity method	215	1,897	(1,386)
Profit before income tax	81,654	105,221	93,100
Income tax expense	(10,489)	(12,237)	(8,775)
Profit for the year	71,165	92,984	84,325
Owners of the Company	71,535	93,165	84,065
Non-controlling interests	(370)	(181)	260

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Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures have limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS. We define adjusted net profit (non-IFRS measure) as net profit for the year adjusted by adding back share-based payments and [REDACTED] expenses, and adjusted net profit margin (non-IFRS measure) as adjusted net profit (non-IFRS measure) for the year divided by revenue for the year and multiplied by 100%. The adjustments have been consistently made during the Track Record Period.

The following table reconciles our adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) for the years to the IFRS measure of profit for the year:

	Year ended December 31,		
	2022	2023	2024
	<i>(RMB in thousands, except percentage)</i>		
Profit for the year	71,165	92,984	84,325
Add:			
Share-based payments ⁽¹⁾	10,183	14,826	6,765
[REDACTED] expenses ⁽²⁾	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit (non-IFRS measure)	81,348	107,810	115,567
Adjusted net profit margin (%) (non-IFRS measure)	7.1	7.2	7.1

Note:

- (1) Share-based payments represent the non-cash employee benefit expenses arising from granting restricted shares to selected employees. Such expenses in any specific period are not expected to result in future cash payments.
- (2) [REDACTED] expenses represent professional fees and other fees incurred in connection with the [REDACTED].

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SELECTED ITEMS FROM CONSOLIDATED STATEMENTS

Revenue

During the Track Record Period, we derived substantially all of our revenue through two main sources, namely (i) integrated digital payment services, which consisted of domestic payment services and cross-border digital payment services; and (ii) digital commerce-enabling solutions, which consisted of merchant SaaS solutions and digital marketing services and other value-added services.

The following table sets forth our revenue breakdown by business type in absolute amounts and as a percentage of our revenue for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except percentage)</i>						
Integrated digital payment services . . .	1,081,857	94.7	1,414,044	93.9	1,511,513	92.5
Domestic payment services	976,410	85.5	1,322,601	87.8	1,371,570	83.9
– Acquiring services	931,525	81.6	1,289,983	85.7	1,342,145	82.1
– Credit card repayment services	41,391	3.6	28,934	1.9	27,187	1.7
– Fund payment services	3,494	0.3	3,684	0.2	2,238	0.1
Cross-border digital payment services . . .	105,447	9.2	91,443	6.1	139,943	8.6
Digital commerce-enabling solutions . .	48,537	4.2	79,562	5.3	114,523	7.0
Merchant SaaS solutions	2,611	0.2	17,567	1.2	26,863	1.6
Digital marketing services and other						
value-added services ⁽¹⁾	45,926	4.0	61,995	4.1	87,660	5.4
– Digital marketing services	37,346	3.3	33,176	2.2	43,410	2.7
– Account operation services	1,432	0.1	16,843	1.1	33,861	2.1
– Other solutions	7,148	0.6	11,976	0.8	10,389	0.6
Others ⁽²⁾	12,025	1.1	12,059	0.8	8,220	0.5
Total	1,142,419	100.0	1,505,665	100.0	1,634,256	100.0

Notes:

- (1) Other value-added services consisted of (i) account operation services, and (ii) other solutions including PaaS and electronic invoicing services.
- (2) Others mainly represented rental income generated from lease of investment properties.

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The following table sets forth our revenue by geographical regions, each expressed as an absolute amount and as a percentage of our revenue, for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
(RMB in thousands, other than percentages)						
PRC	1,126,452	98.6	1,490,650	99.0	1,587,685	97.1
South Korea	7,866	0.7	1,842	0.1	2,504	0.2
Others ⁽¹⁾	8,101	0.7	13,173	0.9	44,067	2.7
Total	1,142,419	100.0	1,505,665	100.0	1,634,256	100.0

Note:

(1) Others consisted of Hong Kong and the U.S..

Cost of Sales

Our cost of sales consisted of (i) commission paid to channel partners, (ii) depreciation of investment properties, (iii) tax and surcharges and (iv) others. In 2022, 2023 and 2024, our cost of sales amounted to RMB817.7 million, RMB1,125.6 million and RMB1,210.8 million, respectively. The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as a percentage of our total cost of sales for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
(RMB in thousands, except percentage)						
Commission	788,810	96.5	1,079,205	95.9	1,149,290	94.9
Depreciation of investment properties . . .	5,614	0.7	5,643	0.5	5,783	0.5
Tax and surcharges	2,244	0.3	4,452	0.4	7,106	0.6
Others ⁽¹⁾	21,065	2.5	36,330	3.2	48,626	4.0
Total	817,733	100.0	1,125,630	100.0	1,210,805	100.0

Note:

(1) Others mainly consisted of server rental costs, cloud services usage fees, services fees paid to a global card organization and an e-commerce platform, and labor outsourcing fees.

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The following table sets forth a breakdown of our cost of sales by business type in absolute amounts and as a percentage of our total cost of sales for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except percentage)</i>						
Integrated digital payment services . . .	804,506	98.4	1,101,282	97.8	1,176,637	97.2
Domestic payment services ⁽¹⁾	750,608	91.8	1,043,061	92.6	1,091,624	90.2
Cross-border digital payment services . . .	53,898	6.6	58,221	5.2	85,013	7.0
Digital commerce-enabling solutions . .	7,590	0.9	18,670	1.7	28,350	2.3
Merchant SaaS solutions	1,379	0.2	8,963	0.8	9,906	0.8
Digital marketing services and other						
value-added services ⁽²⁾	6,211	0.7	9,707	0.9	18,444	1.5
Others ⁽³⁾	5,637	0.7	5,678	0.5	5,818	0.5
Total	817,733	100.0	1,125,630	100.0	1,210,805	100.0

Notes:

- (1) Domestic payment services consisted of (i) acquiring services, (ii) credit card repayment services, and (iii) fund payment services.
- (2) Other value-added services consisted of (i) account operation services, and (ii) other solutions including PaaS and electronic invoicing services.
- (3) Others mainly represented cost relating to the lease of investment properties.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. In 2022, 2023 and 2024, our gross profit amounted to RMB324.7 million, RMB380.0 million and RMB423.5 million, respectively. In 2022, 2023 and 2024, our gross profit margin was 28.4%, 25.2% and 25.9%, respectively.

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The following table sets forth a breakdown of gross profit and gross profit margin by business type for the years indicated.

	Year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
<i>(RMB in thousands, except percentage)</i>						
Integrated digital payment services . . .	277,351	25.6	312,762	22.1	334,876	22.2
Domestic payment services ⁽¹⁾	225,802	23.1	279,540	21.1	279,946	20.4
– Acquiring services	187,186	20.1	254,599	19.7	255,888	19.1
– Credit card repayment services	35,500	85.8	21,852	75.5	22,127	81.4
– Fund payment services	3,116	89.2	3,089	83.9	1,931	86.3
Cross-border digital payment services . . .	51,549	48.9	33,222	36.3	54,930	39.3
Digital commerce-enabling solutions . .	40,947	84.4	60,892	76.5	86,173	75.2
Merchant SaaS solutions	1,232	47.2	8,604	49.0	16,957	63.1
Digital marketing services and other value-added services ⁽²⁾	39,715	86.5	52,288	84.3	69,216	79.0
– Digital marketing services	34,611	92.7	29,055	87.6	35,599	82.0
– Account operation services	485	33.9	13,939	82.8	28,150	83.1
– Other solutions	4,619	64.6	9,294	77.6	5,467	52.6
Others ⁽³⁾	6,388	53.1	6,381	52.9	2,402	29.2
Total	324,686	28.4	380,035	25.2	423,451	25.9

Notes:

- (1) Domestic payment services consisted of (i) acquiring services, (ii) credit card repayment services, and (iii) fund payment services.
- (2) Other value-added services consisted of (i) account operation services, and (ii) other solutions including PaaS and electronic invoicing services.
- (3) Others mainly represented gross profit generated from lease of investment properties.

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Our gross profit margin decreased from 28.4% in 2022 to 25.2% in 2023, primarily due to (i) a decrease in gross profit margin for domestic payment services from 23.1% in 2022 to 21.1% in 2023 primarily attributable to an increase in commission in acquiring services as a result of higher trading volume, which enabled certain channel partners to receive higher rates of commissions in 2023 as part of our pricing strategy to strengthen cooperation with channel partners, (ii) a decrease in gross profit margin for cross-border digital payment services business from 48.9% in 2022 to 36.3% in 2023 primarily attributable to decreased service fee charges and increased commission as a result of market competition. Our gross profit margin remained relatively stable at 25.2% in 2023 and 25.9% in 2024.

We plan to adjust our business strategy to mitigate the impact of high commission rates on our gross profit margin:

- (a) *Increase Contribution from Secondary Channel Partners:* We expect to change the existing layout of channel partners through strategic business planning. In particular, we plan to expand our secondary channel partners and optimize our management over them. We will first segment secondary channel partners into distinct categories based on their promotional traits, encompassing ground promotion, telemarketing, and customer resource management. Subsequently, we will conduct an analysis of channel partners’ operational mode to identify key challenges and formulate corresponding solutions. We will then assign a project manager for each solution for oversight throughout the progress, including pilot phases, refinement based on feedback, and eventual implementation, and will implement incentive schemes to better encourage secondary channel partners’ performance. Through such measures, we expect to increase the TPV contributed by secondary channel partners. Given that secondary channel partners typically have lower commission rates, this shift is expected to positively impact our gross profit margin.
- (b) *Develop High-Margin Business:* We plan to encourage channel partners to vigorously develop our high-margin business, specifically digital commerce-enabling solutions. For merchant SaaS solutions, we plan to continue offering incentives to channel partners to encourage them to assist us in acquiring more customers. For account operation services, we aim to principally target large clients like chained brands and e-commerce platforms. By enforcing stricter pricing controls for profitability and emphasizing professionalism in channel partner management, we will carefully select channel partners for promoting account operation services and enforce strict evaluation standards. For electronic invoice services, we will integrate payment services and electronic invoicing services, creating entirely digital invoices to enhance operational efficiency and improve customer satisfaction. Furthermore, we will offer discounts to channel partners for bulk purchase of POS terminals, provide comprehensive after-sales service, develop customized promotional materials for merchants, and actively support cooperation activities with channel partners to encourage channel partners to develop our high-margin business. During the Track Record Period, the proportion of digital commerce-enabling solutions as a percentage of the total revenue showed an increasing trend, amounting to approximately 4.2%, 5.3% and 7.0% in 2022, 2023 and 2024. As the proportion of high-margin business increases, our overall gross profit margin is expected to improve.

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The following table sets forth a breakdown of gross profit and gross profit margin by geographical regions for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
(RMB in thousands, other than percentages)						
PRC	313,372	27.8	366,880	24.6	379,222	23.9
South Korea	4,256	54.1	933	50.7	1,123	44.9
Others ⁽¹⁾	7,058	87.1	12,222	92.8	43,106	97.8
Total	324,686	28.4	380,035	25.2	423,451	25.9

Note:

(1) Others consisted of Hong Kong and the U.S..

Other Income and Other Gains or Losses – Net

Our other income and other gains or losses – net consisted of (i) bank interest income, representing interest income on client reserve funds and bank deposits, (ii) government grants, which mainly represented subsidies granted by the local governments for the purpose of encouraging business development, (iii) gain on disposal of property, plant and equipment, (iv) fair value gains/(losses) of financial assets at FVTPL mainly relating to debt instruments, (v) loss on deregistration of a subsidiary, *i.e.*, Shanghai Yongpeng Information Technology Co., Ltd., (vi) exchange loss, (vii) input value-added tax surplus deduction, (viii) expected credit loss provision on contingent guarantees, (ix) repayment of input value-added tax surplus deduction and (x) others. In 2022, 2023 and 2024, our other income and other gains or losses – net amounted to RMB16.8 million, RMB21.0 million and RMB8.7 million, respectively. The following table sets forth a breakdown of our other income and other gains or losses – net:

	Year ended December 31,		
	2022	2023	2024
(RMB in thousands)			
Bank interest income	14,325	15,531	17,061
Government grants	2,856	3,913	8,390
Gain on disposal of property, plant and equipment	196	55	2
Fair value gains/(losses) of financial assets at FVTPL . .	(2,377)	365	(1,256)
Loss on deregistration of a subsidiary	(89)	–	–
Exchange loss	(1,587)	(198)	(736)
Input value-added tax surplus deduction	5,335	2,799	–
Expected credit loss provision on contingent guarantees	–	–	(50)
Repayment of input value-added tax surplus deduction ⁽¹⁾	–	–	(31,824)
Others ⁽²⁾	(1,881)	(1,510)	(304)
Total	16,778	20,955	(8,717)

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Notes:

- (1) Due to a recent change in the interpretation of enterprises’ eligibility for certain tax deduction policies that used to apply to enterprises across the payment industry, as a tax rectification operation by the Shanghai Pudong New Area Tax Bureau, it was determined in July 2024 that we became ineligible for certain VAT credit schemes we electrically filed for and received approval for from the tax authority annually in prior years, leading to our repayment of the relevant tax deductions from April 2019 to December 2023, along with associated late fees totaling approximately RMB31.8 million to the Shanghai Pudong New Area Tax Bureau, which had been paid in full in July 2024. Based on confirmations obtained during interviews with, and compliance certificate issued by, relevant regulatory authorities, (i) the repayment and late fees do not constitute administrative penalties, (ii) we were not in violation of any PRC tax laws and regulations during the Track Record Period, and (iii) we will not be required to pay any additional payments or late fees with respect to this issue. Our PRC legal advisors also confirm that the abovementioned repayment and late fees do not constitute administrative penalties.
- (2) Others mainly consisted of (i) administrative penalties to financial institutions and regulators, (ii) compensation from channel partners and (iii) a one-time income from debt restructuring of overdue receivables in 2023.

Selling and Distribution Expenses

Our selling and distribution expenses consisted of (i) staff costs, including employee benefit expenses and share-based payments, (ii) marketing and promotion expenses, including marketing and publicity expenses, business hospitality expenses, travel expenses, and sales service expenses to an e-commerce platform to expand cross-border digital payment services, and (iii) others, mainly including the transportation expenses for the marketing of payment terminals. In 2022, 2023 and 2024, our selling and distribution expenses amounted to RMB111.6 million, RMB141.4 million and RMB137.3 million, respectively. The following table sets forth a breakdown of our selling and distribution expenses by nature for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except percentage)</i>						
Staff costs	82,279	73.7	111,379	78.8	107,054	78.0
– Employee benefit expenses.	78,008	69.9	104,728	74.1	104,225	75.9
– Share-based payments	4,271	3.8	6,651	4.7	2,829	2.1
Marketing and promotion expenses	28,245	25.3	28,961	20.5	29,489	21.5
Others	1,053	1.0	1,046	0.7	776	0.5
Total.	111,577	100.0	141,386	100.0	137,319	100.0

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Research and Development Expenses

Our research and development expenses consisted of (i) staff costs, including employee benefit expenses and share-based payments, (ii) depreciation and amortization and (iii) others, mainly including testing costs. In 2022, 2023 and 2024, our research and development expenses amounted to RMB53.8 million, RMB56.9 million and RMB60.7 million, respectively. The following table sets forth a breakdown of our research and development expenses by nature for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
(RMB in thousands, except percentage)						
Staff costs	49,328	91.7	54,797	96.3	57,243	94.3
– Employee benefit expenses	47,791	88.8	52,612	92.5	56,175	92.5
– Share-based payments	1,537	2.9	2,185	3.8	1,068	1.8
Depreciation and amortization	4,240	7.9	1,990	3.5	1,612	2.7
Others	225	0.4	93	0.2	1,843	3.0
Total	53,793	100.0	56,880	100.0	60,698	100.0

Administrative Expenses

Our administrative expenses consisted of (i) staff costs, including employee benefit expenses and share-based payments, (ii) depreciation and amortization, (iii) office and other administrative expenses, mainly including office expenses, communication expenses, conference expenses, utilities expenses and business hospitality expenses, (iv) professional service expenses, including consulting fees, audit fees, litigation fees, legal and professional fees, (v) [REDACTED] and (vi) others, mainly including property tax, bank transaction fees and membership fees for the business associations that we joined. In 2022, 2023 and 2024, our administrative expenses amounted to RMB87.5 million, RMB92.1 million and RMB112.1 million, respectively. The following table sets forth a breakdown of our administrative expenses by nature for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
(RMB in thousands, except percentage)						
Staff costs	32,696	37.4	32,119	34.9	29,758	26.5
– Employee benefit expenses	28,321	32.4	26,129	28.4	26,890	24.0
– Share-based payments	4,375	5.0	5,990	6.5	2,868	2.5
Depreciation and amortization	32,011	36.6	32,367	35.1	31,030	27.7
Office and other administrative expenses	8,927	10.2	9,119	9.9	9,673	8.6
Professional service expenses	7,205	8.2	8,805	9.6	11,997	10.7
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	6,663	7.6	9,678	10.5	9,102	8.2
Total	87,502	100.0	92,088	100.0	112,085	100.0

FINANCIAL INFORMATION

Reversal of Impairment/(Impairment Loss) on Financial Assets – Net

Our reversal of impairment/(impairment loss) on financial assets, net mainly represented credit loss assessment and movement in allowance for the impairment on trade receivables, deposits and other receivables, and loan receivables. We recorded impairment loss on financial assets, net of RMB0.4 million, reversal of impairment on financial assets, net of RMB0.9 million and impairment loss on financial assets, net of RMB0.7 million in 2022, 2023 and 2024, respectively.

Finance Income

Our finance income consisted of (i) interest income on a loan to Fuiou Group which has fully been repaid in 2021, (ii) interest income on time deposits with maturity over three months, and (iii) interest income on financial assets at FVTPL, which represented interest income on wealth management products. In 2022, 2023 and 2024, our finance income amounted to RMB3.0 million, RMB2.1 million and RMB1.7 million, respectively.

Finance Costs

Our finance costs mainly consisted of (i) interest expenses on bank and other borrowings and (ii) interest expenses on lease liabilities. In 2022, 2023 and 2024, our finance costs amounted to RMB7.5 million, RMB6.7 million and RMB7.3 million, respectively.

Share of Net Loss of Joint Venture Accounted for Using the Equity Method

Our share of net loss of joint venture accounted for using the equity method mainly represented loss we recognized in proportion to our equity interests from our investment in joint venture Akhtar Fuiou Technologies (Private) Limited (“**Akhtar Fuiou**”). In 2022, 2023 and 2024, our share of net loss of joint venture accounted for using the equity method amounted to RMB2.2 million, RMB3.6 million and RMB3.8 million, respectively.

Share of Net Profit/(Loss) of Associates Accounted for Using the Equity Method

Our share of net profit/(loss) of associates accounted for using the equity method mainly represented profit or loss we recognized in proportion to our equity interests from our investment in Wuhan Lichu. We recorded share of net profit of associates accounted for using the equity method of RMB0.2 million and RMB1.9 million, respectively, and share of net loss of associates accounted for using the equity method of RMB1.4 million in 2024.

Income Tax Expense

We are subject to income tax on an entity basis on assessable profits arising in or derived from the tax jurisdictions in which our members are domiciled and operated.

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PRC

Our subsidiaries established and operated in the PRC are subject to EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law (“**EIT Law**”). Pursuant to the EIT Law, our subsidiaries established in the PRC are generally subject to EIT at the statutory rate of 25% during the Track Record Period. We were registered as a High and New Technology enterprise pursuant to the PRC tax resolutions and were entitled to a preferential tax rate of 15% for the years ended December 31, 2022, 2023 and 2024. Certain subsidiaries have enjoyed the tax deduction in accordance with income tax preferential policy for small and micro enterprises and individual business pursuant to the PRC tax regulations and were entitled to a preferential tax rate of 20% for the years ended December 31, 2022, 2023 and 2024.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our subsidiaries incorporated in Hong Kong are subject to a two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at a rate of 8.25%, and profits above HK\$2 million will be taxed at a rate of 16.5%.

Singapore and United Kingdom corporate income tax

Under the current laws of Singapore and the United Kingdom, the entities incorporated in Singapore and the United Kingdom are not subject to tax on income or capital gain.

Other countries

Corporate income tax in other jurisdictions, including the United States and South Korea, among others, had been calculated on the estimated assessable profit for the year at the respective rates prevailing in the relevant jurisdictions, ranging from 15% to 21%.

In 2022, 2023 and 2024, our income tax expense was RMB10.5 million, RMB12.2 million and RMB8.8 million, respectively. In 2022, 2023 and 2024, our effective tax rate (calculated as income tax expense divided by profit before income tax) was 12.8%, 11.6% and 9.4%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

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PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenue

Our revenue increased by 8.5% from RMB1,505.7 million in 2023 to RMB1,634.3 million in 2024, primarily due to increases in revenue from both integrated digital payment services and digital commerce-enabling solutions.

Our revenue from integrated digital payment services increased by 6.9% from RMB1,414.0 million in 2023 to RMB1,511.5 million in 2024, primarily due to (i) an increase in revenue from domestic payment services, which was mainly attributable to the expansion of our acquiring service customers as a result of our service innovations including (a) enhancing payment product features and scenarios for merchants, (b) providing training to channel partners to improve their promotion and service capabilities and (c) reducing the costs of payment terminals, and (ii) an increase in revenue from cross-border digital payment services, which was mainly attributable to an increase in average TPV per active customer resulting from increased demand from existing customers due to growth in transaction volumes of institutional customers, and our active customer acquisition through proactive promotional activities and targeted marketing collaborations with institutional customers to broaden customer outreach.

Our revenue from digital commerce-enabling solutions increased by 43.9% from RMB79.6 million in 2023 to RMB114.5 million in 2024, primarily due to (i) an increase in revenue from merchant SaaS solutions driven by the expansion of customers for our merchant SaaS solutions as a result of our product innovation through continuous product iterations in terms of industry innovation and service coverage to provide a more diverse range of product types, and enhanced commercialization efforts such as broadening market reach through partnerships with channel partners, organizing online promotions and training sessions for channel partners, and facilitating the transition of payment services to digital solutions for channel partners, (ii) an increase in revenue from account operation services and digital marketing services driven by the expansion of customers as we adapted our services through market analysis and product research to better meet customers’ demand.

Cost of Sales

Our cost of sales increased by 7.6% from RMB1,125.6 million in 2023 to RMB1,210.8 million in 2024, primarily due to an increase in commission in line with our expansion of acquiring services.

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Gross Profit and Gross Profit Margin

Our gross profit increased by 11.5% from RMB380.0 million in 2023 to RMB423.5 million in 2024. Our gross profit margin increased from 25.2% in 2023 to 25.9% in 2024, primarily due to an increase in the revenue contribution from businesses which generally have higher gross profit margin such as digital commerce-enabling solutions as we strategically strengthened our efforts on research and development and enhanced the user experience of our digital commerce-enabling solutions, which increased our product competitiveness and expanded our market share, and cross-border digital payment services as we strategically expanded the application scenarios of our services and established cooperation with several new financial institutions to broaden customer reach, partially offset by a decrease in gross profit margin of digital commerce-enabling solutions from 76.5% in 2023 to 75.2% in 2024, primarily because our partner bank paid higher promotion fees to us in 2023 as compared to 2024 for larger account balances of merchant clients who used our payments services and opened accounts with such partner bank.

Other Income and Other Gains or Losses – Net

Our other income and other gains or losses – net decreased by 141.6% from gains of RMB21.0 million in 2023 to losses of RMB8.7 million in 2024, primarily due to repayment of input value-added tax surplus deduction.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 3.0% from RMB141.4 million in 2023 to RMB137.3 million in 2024, primarily due to a decrease in share-based payments resulting from the departure of certain employees.

Research and Development Expenses

Our research and development expenses increased by 6.7% from RMB56.9 million in 2023 to RMB60.7 million in 2024, primarily due to (i) an increase in employee benefit expenses resulting from increased number of research and development employees and increased average employee benefits and (ii) an increase in others resulting from payments for cloud services and outsourced R&D service fees.

Administrative Expenses

Our administrative expenses increased by 21.7% from RMB92.1 million in 2023 to RMB112.1 million in 2024, primarily because we recorded [REDACTED] in relation to the [REDACTED] of RMB20.5 million in 2024.

Reversal of Impairment/(Impairment Loss) on Financial Assets – Net

We recorded reversal of impairment on financial assets, net of RMB0.9 million in 2023 while we recorded reversal of impairment loss on financial assets of RMB0.7 million in 2024, primarily because we recognized impairment losses in relation to certain trade receivables in 2024.

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Finance Income

Our finance income decreased by 21.5% from RMB2.1 million in 2023 to RMB1.7 million in 2024, primarily due to a decrease in interest income on financial assets at FVTPL because we no longer held any wealth management products in 2024.

Finance Costs

Our finance costs increased by 8.5% from RMB6.7 million in 2023 to RMB7.3 million in 2024, primarily due to an increase in interest expense on bank and other borrowings as a result of increased bank borrowings in 2024.

Share of Net Loss of Joint Venture Accounted for using the Equity Method

Our share of net loss of joint venture accounted for using the equity method increased by 6.3% from RMB3.6 million in 2023 to RMB3.8 million in 2024, primarily due to increased loss of Akhtar Fuiou during its early stage of operations.

Share of Net Profit/(Loss) of Associates Accounted for using the Equity Method

Our share of net profit of associates accounted for using the equity method was RMB1.9 million in 2023 and our share of net loss of associates accounted for using the equity method was RMB1.4 million in 2024, primarily due to a decrease in profit of Wuhan Lichu.

Income Tax Expense

We had income tax expense decreased by 28.3% from RMB12.2 million in 2023 to RMB8.8 million in 2024, primarily due to a decrease in taxable income.

Profit for the Year

As a result of the foregoing, our profit decreased by 9.3% from RMB93.0 million in 2023 to RMB84.3 million in 2024.

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Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

Revenue

Our revenue increased by 31.8% from RMB1,142.4 million in 2022 to RMB1,505.7 million in 2023, primarily due to increases in revenue from both integrated digital payment services and digital commerce-enabling solutions.

Our revenue from integrated digital payment services increased by 30.7% from RMB1,081.9 million in 2022 to RMB1,414.0 million in 2023, primarily due to an increase in revenue from domestic payment services, which was mainly attributable to the expansion of our acquiring service customers as a result of (i) our service innovations such as the introduction of a comprehensive solution tailored for the catering sector following market analysis, as well as (ii) the implementation of an incentive scheme for channel partners to encourage promotion, partially offset by a decrease in revenue from cross-border digital payment services due to a decrease in average TPV per active customer as we strategically shifted to engage with more micro and small merchants to diversify our customer base and strengthen our market position amid intense market competition. Our rationale for engaging more micro and small merchants in the cross-border digital payment services is as follows: (i) China’s cross-border e-commerce sector is experiencing significant growth, with its import and export scale reaching a notable portion of the country’s total trade in goods. This growth presents a substantial opportunity to increase market share in the cross-border payment business. By targeting small and micro merchants, we can tap into this burgeoning market segment, diversifying our customer base and reinforcing our market position amidst fierce competition; (ii) foreign trade exports are playing a crucial role in China’s economic development, supported by national policies that favor small and medium-sized enterprises, such as Opinions of the General Office of the State Council on Promoting Stable Scale and Optimized Structure of Foreign Trade (《國務院辦公廳關於推動外貿穩規模優結構的意見》) and Several Policy Measures on Promoting Stable Growth of Foreign Trade (《關於促進外貿穩定增長的若干政策措施》). These policies aim to nurture new business formats and models, such as cross-border e-commerce through measures that facilitate cross-border business travel, optimize cross-border trade settlements, and enhance financing support for foreign trade enterprises. By focusing on micro and small merchants, we position ourselves to benefit from governmental support and resources, which are geared towards nurturing these enterprises. This alignment with policy trends not only enhances our growth prospects but also ensures compliance with national economic priorities; and (iii) to fully exploit these market and policy trends, it is essential to accelerate the digitalization and commercialization innovation of business operations. By developing and offering innovative payment solutions specifically tailored to the needs of micro and small enterprises, we can drive the digital transformation of our cross-border digital payment products and services. This approach not only enhances our digital capabilities but also improves our competitive edge in the cross-border services market. By focusing on digitalization, we can provide more efficient, scalable and intelligent solutions, thereby attracting a broader range of merchants and strengthening our market position.

Our revenue from digital commerce-enabling solutions increased by 63.9% from RMB48.5 million in 2022 to RMB79.6 million in 2023, primarily due to (i) an increase in revenue from merchant SaaS solutions driven by the expansion of customers for our merchant SaaS solutions as a result of our product innovation and enhanced commercialization efforts through continuous product iterations in terms of industry innovation and service coverage to provide a more diverse range of product types, and (ii) an

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increase in revenue from account operation services driven by the expansion of customers as we adapted our services through market analysis and product research to better meet customers’ demand.

Cost of Sales

Our cost of sales increased by 37.7% from RMB817.7 million in 2022 to RMB1,125.6 million in 2023, primarily due to (i) an increase in commission in line with our expansion of acquiring services, (ii) an increase in cloud services usage fees due to our business expansion, and (iii) an increase in service fees paid to an e-commerce platform of RMB4.9 million resulting from reclassification of such service fees from selling and distribution expenses to cost of sales in 2023 as the service began to generate revenue in 2023.

Gross Profit and Gross Profit Margin

Our gross profit increased by 17.0% from RMB324.7 million in 2022 to RMB380.0 million in 2023. Our gross profit margin decreased from 28.4% in 2022 to 25.2% in 2023, primarily due to (i) a decrease in gross profit margin for domestic payment services from 23.1% in 2022 to 21.1% in 2023 primarily attributable to an increase in commission in acquiring services as a result of higher trading volume, which enabled certain channel partners to receive higher rates of commissions in 2023 as part of our pricing strategy to strengthen cooperation with channel partners; (ii) a decrease in gross profit margin for cross-border digital payment services business from 48.9% in 2022 to 36.3% in 2023 primarily attributable to a decrease in revenue from cross-border digital payment services from 2022 to 2023, decreased service fee charges and increased commission as a result of market competition. With increasing price competition, we strategically lowered our fee rates to attract and retain clients. Similarly, we offered more attractive commission rates to our channel partners to ensure their continued support; and (iii) a decrease in gross profit margin of digital commerce-enabling solutions from 84.4% in 2022 to 76.5% in 2023, primarily because we entered into cooperation agreements with our partner bank in 2022 and 2023, under which we receive promotion fees when our clients open accounts and deposit funds with the partner bank and our partner bank paid higher promotion fees to us in 2022 as compared to 2023 for larger account balances of merchant clients who used our payments services and opened accounts with such partner bank.

Other Income and Other Gains or Losses – Net

Our other income and other gains or losses – net increased by 24.9% from RMB16.8 million in 2022 to RMB21.0 million in 2023, primarily due to (i) an increase in bank interest income as a result of an increase in interest income on client reserve funds due to increased TPV we processed in line with our business expansion and (ii) an increase in government grants we received.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 26.7% from RMB111.6 million in 2022 to RMB141.4 million in 2023, primarily due to an increase in staff costs as a result of increased number of selling and distribution employees and increased average employee benefits.

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Research and Development Expenses

Our research and development expenses increased by 5.7% from RMB53.8 million in 2022 to RMB56.9 million in 2023, primarily due to an increase in staff costs as a result of increased number of research and development employees and increased average employee benefits.

Administrative Expenses

Our administrative expenses increased by 5.2% from RMB87.5 million in 2022 to RMB92.1 million in 2023, primarily due to an increase in property tax attributable to expiration of tax relief policies in 2022 as a result of the COVID-19 pandemic and an increase in bank transaction fees and membership fees for the business associations that we joined in line with our business expansion.

Reversal of Impairment/(Impairment Loss) on Financial Assets – Net

We recorded impairment loss on financial assets, net of RMB0.4 million in 2022 and reversal of impairment on financial assets, net of RMB0.9 million in 2023, primarily due to the recovery of overdue receivables in 2023.

Finance Income

Our finance income decreased by 28.8% from RMB3.0 million in 2022 to RMB2.1 million in 2023, primarily due to (i) decreased interest income from wealth management products resulting from full redemption of wealth management products in 2023, and (ii) decreased interest income from time deposits resulting from decreased interest rates.

Finance Costs

Our finance costs decreased by 10.5% from RMB7.5 million in 2022 to RMB6.7 million in 2023, primarily due to a decrease in interest expense on bank and other borrowings as a result of decreased interest rates and repayment of certain bank borrowings.

Share of Net Loss of Joint Venture Accounted for using the Equity Method

Our share of net loss of joint venture accounted for using the equity method increased by 62.1% from RMB2.2 million in 2022 to RMB3.6 million in 2023, primarily due to increased loss of Akhtar Fuiou during its early stage of operations.

Share of Net Profit/(Loss) of Associates Accounted for using the Equity Method

Our share of net profit of associates accounted for using the equity method increased by 782.3% from RMB0.2 million in 2022 to RMB1.9 million in 2023, primarily due to an increase in profit of Wuhan Lichu.

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Income Tax Expense

Our income tax expense increased by 16.7% from RMB10.5 million in 2022 to RMB12.2 million in 2023, primarily due to an increase in taxable income in line with our business growth.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 30.7% from RMB71.2 million in 2022 to RMB93.0 million in 2023.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Non-Current Assets/(Liabilities)

The following table sets out our non-current assets and liabilities as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Non-current assets			
Investment properties	100,169	97,385	91,602
Property, plant and equipment.	440,042	409,106	382,677
Intangible Assets.	3,192	3,056	2,762
Right-of-use assets	4,359	6,261	4,641
Interests in a joint venture.	4,948	1,454	–
Interests in associates	37,639	39,536	36,650
Financial assets at fair value through profits or loss (“FVTPL”)	11,557	11,922	10,666
Equity instrument designated at FVOCI	3,275	52,570	52,578
Prepayment for investment in a joint venture	–	2,408	–
Deferred tax assets	21,774	19,499	19,491
Total non-current assets	626,955	643,197	601,067
Non-current liabilities			
Borrowings	160,000	147,500	132,500
Lease liabilities.	1,419	2,328	1,215
Deferred tax liabilities.	869	1,217	874
Total non-current liabilities	162,288	151,045	134,589

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Investment Properties

Our investment properties primarily consisted of the properties that we started to lease out in 2021. The following table sets forth a breakdown of our investment properties as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Opening net book value.	105,783	100,169	97,385
Transfer from property, plant and equipment.	–	2,859	–
Depreciation of investment properties.	(5,614)	(5,643)	(5,783)
Closing net book value	100,169	97,385	91,602

Our investment properties decreased by 2.8% from RMB100.2 million as of December 31, 2022 to RMB97.4 million as of December 31, 2023, primarily due to depreciation. Our investment properties further decreased by 5.9% to RMB91.6 million as of December 31, 2024, primarily due to depreciation.

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of buildings, furniture, fixture, office equipment, computer, electronic equipment and vehicles. Our property, plant and equipment decreased by 7.0% from RMB440.0 million as of December 31, 2022 to RMB409.1 million as of December 31, 2023, primarily due to depreciation. Our property, plant and equipment decreased by 6.5% from RMB409.1 million as of December 31, 2023 to RMB382.7 million as of December 31, 2024, primarily due to depreciation.

Financial Assets at FVTPL – Non-Current Portion

Our non-current portion of financial assets at FVTPL mainly represented our equity investment in QFNear Technology (Tianjin) Co., Ltd. (“**QFNear**”) with redemption rights. Our non-current portion of financial assets at FVTPL increased by 3.2% from RMB11.6 million as of December 31, 2022 to RMB11.9 million as of December 31, 2023, primarily due to an increase in the fair value of QFNear. Our non-current portion of financial assets at FVTPL decreased from RMB11.9 million as of December 31, 2023 RMB10.7 million as of December 31, 2024 primarily due to a decrease in the fair value of QFNear.

Equity Instrument Designated at FVOCI

Our equity instrument designated at FVOCI mainly represented unlisted equity investment in Shanghai Yueke Information Technology Co., Ltd. (“**Shanghai Yueke**”) and Velo Holdings Limited (“**Velo**”). Our equity instrument at FVOCI increased from RMB3.3 million as of December 31, 2022 to RMB52.6 million as of December 31, 2023, primarily due to our investment in Velo in 2023. Our equity instrument at FVOCI remained relatively stable at RMB52.6 million as of December 31, 2023 and RMB52.6 million as of December 31, 2024.

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Prepayment for investment in a joint venture

Our prepayment for investment in a joint venture represented our prepayment for investment in Akhtar Fuiou to supplement its working capital. Since Akhtar Fuiou has not yet completed the business registration regarding such investment, the investment is recorded as prepayment. Our prepayment for investment in a joint venture amounted to nil in 2022, and increased to RMB2.4 million in 2023 primarily due to our prepayment for additional investment in Akhtar Fuiou in 2023. Our prepayment for investment in a joint venture decreased from RMB2.4 million as of December 31, 2023 to nil as of December 31, 2024, primarily because we made prepayment for additional investment in Akhtar Fuiou in 2023 while no such prepayment was made in 2024.

Net Current Assets and Liabilities

The following table sets out our current assets and liabilities as of the dates indicated:

	As of December 31,			March 31
	2022	2023	2024	2025
	(RMB in thousands)			(Unaudited)
Current assets				
Inventories	5,882	2,878	3,628	3,656
Financial assets at FVTPL	42,220	–	–	–
Trade receivables	70,780	63,047	54,693	90,971
Prepayments, deposits and other receivables	19,690	25,679	43,622	54,028
Prepayment for an investment	–	–	3,483	3,483
Client reserve funds and restricted bank deposits	3,200,866	3,982,465	2,336,631	2,887,120
Time deposits with maturity over three months	100,000	100,000	150,000	190,000
Bank balances and cash	203,456	313,534	352,074	341,875
Tax recoverable	65	213	93	55
Total current assets	3,642,959	4,487,816	2,944,224	3,571,188
Current liabilities				
Trade payables	126,630	180,104	182,860	172,557
Other payables and accruals	3,367,140	4,198,230	2,521,897	3,114,319
Contract liabilities	4,947	8,040	10,907	10,292
Borrowings	10,073	12,500	55,100	125,000
Lease liabilities	2,630	3,244	2,787	2,253
Income tax payable	11,016	5,072	9,471	2,717
Total current liabilities	3,522,436	4,407,190	2,783,022	3,427,138
Net current assets	120,523	80,626	161,202	144,050

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Our net current assets decreased from RMB161.2 million as of December 31, 2024 to RMB144.1 million as of March 31, 2025, primarily due to an increase in borrowings to supplement our working capital, partially offset by (i) an increase in time deposits with maturity over three months and (ii) an increase in trade receivables resulting from a relatively lower trade receivables balance at the end of each year because of the general practice of our partner banks to settle with us during the fourth quarter of the year.

Our net current assets increased from RMB80.6 million as of December 31, 2023 to RMB161.2 million as of December 31, 2024, primarily due to (i) an increase in time deposits with maturity over three months and (ii) an increase in bank balances and cash, partially offset by an increase in borrowings to supplement our working capital.

Our net current assets decreased from RMB120.5 million as of December 31, 2022 to RMB80.6 million as of December 31, 2023, primarily due to (i) an increase in trade payables in line with our business growth, (ii) an increase in dividend payables and (iii) an increase in staff costs and welfare accruals in line with our business expansion, partially offset by (i) an increase in bank balances and cash in line with our business growth and (ii) a decrease in financial assets at FVTPL primarily due to full redemption of wealth management products.

Inventories

Our inventories primarily consisted of payment terminals and their parts. The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Payment terminals and others	7,246	3,254	3,986
Less: Impairment loss	(1,364)	(376)	(358)
Total	5,882	2,878	3,628

Our inventories decreased by 51.1% from RMB5.9 million as of December 31, 2022 to RMB2.9 million as of December 31, 2023 primarily due to measures taken by us to reduce inventories such as optimizing inventory structure and disposal of surplus inventory. Our inventories increased by 26.1% from RMB2.9 million as of December 31, 2023 to RMB3.6 million as of December 31, 2024, primarily because we purchased new models of payment terminals in line with our business growth.

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Financial Assets at FVTPL – Current Portion

Our current portion of financial assets at FVTPL mainly consisted of wealth management products issued by commercial banks in the PRC. Our current portion of financial assets at FVTPL decreased to nil as of December 31, 2023, primarily due to full redemption of wealth management products. Our current portion of financial assets at FVTPL remained nil as of December 31, 2024.

We primarily invest in wealth management products issued by reputable national commercial banks in China with low risks and high liquidity. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to expected profit or potential loss of the investment, level of liquidity and risk level. After the [REDACTED], our investments in financial assets at fair value through profit or loss will be subject to compliance with Chapter 14 of the Listing Rules. To monitor and control the investment risks associated with our investments in wealth management products, we have adopted a comprehensive set of internal policies and guidelines to manage our investments. Prior to making any material investments in wealth management products, our investment department conducts thorough research and analysis, and prepares reports for evaluation and approval by general manager. Additionally, our audit department and finance department actively monitor our investments and promptly address any irregularities to minimize our financial risks.

Trade Receivables

Our trade receivables primarily consisted of amounts due from customers for integrated digital payment services and digital commerce-enabling solutions. We had trade receivables of RMB70.8 million, RMB63.0 million and RMB54.7 million as of December 31, 2022, 2023 and 2024, respectively. We could deduct our fees directly from the transaction fund flows for most of our services. For other trade receivables, we typically grant our customers a credit period of one month to three months from the transaction date. We recognized impairment loss on trade receivables, see Note 44(b)(i) to the Accountants’ Report included in Appendix I to this document.

The following table sets out a breakdown of our trade receivables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Trade receivables	86,252	66,051	57,758
Less: impairment loss allowance	(15,472)	(3,004)	(3,065)
Total.	70,780	63,047	54,693

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The following table sets out an aging analysis of our trade receivables, net of impairment losses, as of the dates indicated, based on the due dates:

	As of December 31,		
	2022	2023	2024
Within 30 days	39,167	38,187	30,471
31 to 60 days	18,417	12,017	7,259
61 to 90 days	3,973	4,925	5,351
91 to 365 days	8,004	7,809	11,258
One to two years	412	72	341
Two to three years, inclusive	177	31	13
Three to four years, inclusive	243	6	—
Four to five years, inclusive	387	—	—
Total	70,780	63,047	54,693

Our trade receivables decreased by 10.9% from RMB70.8 million as of December 31, 2022, to RMB63.0 million as of December 31, 2023, mainly attributable to our collection of trade receivables in 2023. Our trade receivables decreased by 13.3% from RMB63.0 million as of December 31, 2023 to RMB54.7 million as of December 31, 2024, primarily because for the acquiring services where we collaborate with certain of our partner banks to provide payment services to merchant clients, our partner banks usually settle with us during the fourth quarter of the year.

Our Directors believe that there is no material recoverability issue with respect to our trade receivables and that we have sufficient provision for impairment in light of the prevailing circumstances as of the Latest Practicable Date, based on (i) our periodic evaluation to closely monitor our credit risks and make proper provision for expected impairment, (ii) our stringent internal controls on the management of trade and notes receivables, and (iii) the creditability of our major customers, which are reputable with solid track record in the industry.

The following table sets forth our trade receivables turnover days for the Track Record Period:

	Year ended December 31,		
	2022	2023	2024
Trade receivables turnover days ⁽¹⁾	20.1	16.2	13.1

Note:

- (1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables, net of impairment losses, for a year divided by revenue for the relevant year and multiplied by 365 days.

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Our trade receivables turnover days decreased from 20.1 days in 2022 to 16.2 days in 2023, primarily due to a decrease in the balance of trade receivables resulting from our collection of trade receivables in 2023. Our trade receivables turnover days decreased from 16.2 days in 2023 to 13.1 days in 2024, primarily due to a decrease in the balance of trade receivables resulting from the general practice of our partner banks to settle with us during the fourth quarter of the year.

As of March 31, 2025, RMB35.9 million, or 65.7% of our trade receivables as of December 31, 2024, had been settled subsequent to December 31, 2024.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables mainly consisted of (i) deposits and other receivables, mainly representing (a) receivables from commercial banks affected by the abuse of the pre-authorization rules, which has been fully impaired by us, see “Risk Factors – We could incur liabilities if our merchants or channel partners refuse or are unable, financially or otherwise, to reimburse us for chargebacks resolved in favor of the customers” and “Business – Risk Management – Fraud Risk Management – Chargeback” for details, and (b) deposits in relation to our credit card repayment services and rentals, (ii) prepaid [REDACTED] expenses in relation to our previous attempt on A-share listing and the [REDACTED], and (iii) prepayments, mainly representing prepayments to suppliers for payment terminals and prepayments for cloud services. We recognized impairment loss on prepayments, deposits and other receivables, see Note 43(b)(ii) to the Accountants’ Report included in Appendix I to this document. The following table sets out a breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Deposits and other receivables	136,040	136,448	144,457
Prepaid [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Prepayments	3,805	6,055	11,028
	143,200	145,980	164,547
Less: impairment loss allowance	(123,510)	(120,301)	(120,925)
Total	19,690	25,679	43,622

Our prepayments, deposits and other receivables increased by 30.4% from RMB19.7 million as of December 31, 2022 to RMB25.7 million as of December 31, 2023, primarily due to an increase in prepayments due to increased prepayment for payment terminals to suppliers as a result of our increasing need for customized machines. Our prepayments, deposits and other receivables increased by 69.9% from RMB25.7 million as of December 31, 2023 to RMB43.6 million as of December 31, 2024, primarily due to (i) an increase in deposits and other receivables in relation to rentals, (ii) an increase in prepaid [REDACTED] in related to the [REDACTED] and (iii) an increase in prepayments for cloud services in 2024 to reduce procurement costs and maintenance costs of hardware such as servers and storage devices, and to optimize the infrastructure with cloud computing.

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We recognized impairment loss on prepayments, deposits and other receivables, see Note 43(b) (ii) to the Accountants’ Report included in Appendix I to this document for our policy of impairment loss allowance of deposits and other receivables. Our impairment loss allowance in 2022, 2023 and 2024 was RMB123.5 million, RMB120.3 million and RMB120.9 million, respectively, primarily from chargebacks due to illegal or fraudulent activities of the merchants and cardholders during the widespread risk incident from December 2013 to January 2014. See “Business – Risk Management – Fraud Risk Management – Chargeback” for details.

As of March 31, 2025, RMB8.9 million, or 20.4% of our prepayments, deposits and other receivables as of December 31, 2024, had been settled subsequent to December 31, 2024.

Prepayment for an Investment

As of December 31, 2022, 2023 and 2024, our prepayment for an investment amounted to nil, nil and RMB3.5 million, respectively. The prepayment for an investment in 2024 represented the deposits we paid to the existing shareholders of a target company as part of the share transfer agreements to acquire a 95% equity interest in the target company. See Note 27 to the Accountants’ Report included in Appendix I to this document.

Client Reserve Funds and Restricted Bank Deposits

Our client reserve funds and restricted bank deposits consisted of (i) client reverse funds, (ii) client reserve funds risk reserve, (iii) performance bond and (iv) others. Our client reserve funds mainly represented customer funds collected and awaiting disbursement as requested. Client reserve funds are segregated from and not reported as part of cash and cash equivalents as they represent other assets held by us on behalf of customers, and therefore is not available for our general use. Client reserve funds also comprised the service fees earned by us arising from completed digital payment services which have not been withdrawn from customer deposit bank accounts. The following table sets out a breakdown of our client reserve funds and restricted bank deposits as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Client reserve funds	3,134,501	3,938,214	2,292,483
Client reserve funds risk reserve	26,542	27,604	28,258
Performance bond	21,367	15,962	14,835
Others	18,456	685	1,055
Total.	3,200,866	3,982,465	2,336,631

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Our client reserve funds and restricted bank deposits increased by 24.4% from RMB3,200.9 million as of December 31, 2022 to RMB3,982.5 million as of December 31, 2023, primarily because clearing institutions settle customer funds with us on a daily basis on business days. Since December 31, 2022 was not a business day whereas both December 30 and 31, 2023 were non-business days, we consequently recorded higher balances in 2023 for unsettled customer funds of an additional day. Our client reserve funds and restricted bank deposits decreased by 41.3% from RMB3,982.5 million as of December 31, 2023 to RMB2,336.6 million as of December 31, 2024, primarily because both December 30 and 31, 2023 were non-business days whereas both December 30 and 31, 2024 were business days, we consequently recorded higher balances in 2023 for unsettled customer funds of two additional days.

Trade Payables

Our trade payables primarily represent commission payable to channel partners for acquiring services and amounts due to suppliers for purchase of payment terminals and other equipment. Our trade payables increased by 42.3% from RMB126.6 million as of December 31, 2022 to RMB180.1 million as of December 31, 2023, mainly in line with our business growth. Our trade payables remained relatively stable at RMB180.1 million as of December 31, 2023 and RMB182.9 million as of December 31, 2024.

The following table sets out an aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Within 30 days	35,540	126,389	117,192
31 to 60 days	851	10,451	9,666
61 to 90 days	1,714	9,467	4,705
91 to 365 days	87,555	30,152	31,966
One to two years	340	3,248	16,695
Over two years	630	397	2,636
Total	126,630	180,104	182,860

The following table sets forth our trade payables turnover days for the Track Record Period:

	Year ended December 31,		
	2022	2023	2024
Trade payables turnover days ⁽¹⁾	54.2	49.7	54.7

Note:

- (1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by cost of sales used for the relevant year and multiplied by 365 days.

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Our trade payables turnover days decreased from 54.2 days in 2022 to 49.7 days in 2023, primarily due to because we accelerated payment settlements with channel partners and suppliers. Our trade payables turnover days increased from 49.7 days in 2023 to 54.7 days in 2024, primarily due to an increase in commission payable to channel partners at the end of 2024 compared to the end of 2023.

As of March 31, 2025, RMB148.7 million, or 81.3% of our trade payables as of December 31, 2024, had been settled subsequent to December 31, 2024.

Our Directors confirm that there was no material default in trade payables during the Track Record Period and up to the Latest Practicable Date.

Other Payables and Accruals

Our other payables and accruals consisted of (i) payables to digital payment customers, representing funds processed by us for digital payment customers, which are awaiting to be settled with them as requested, (ii) staff costs and welfare accruals, (iii) dividend payables, (iv) received in advance, (v) accruals, mainly representing accrued service fees, (vi) other tax payables, (vii) provision of contingent guarantees, (viii) accrued [REDACTED] and (ix) others. Our other payables and accruals increased by 24.7% from RMB3,367.1 million as of December 31, 2022 to RMB4,198.2 million as of December 31, 2023, primarily due to an increase in payables to digital payment customers resulting from increased client reserve funds. Our other payables and accruals decreased by 39.9% from RMB4,198.2 million as of December 31, 2023 to RMB2,521.9 million as of December 31, 2024, primarily due to a decrease in payables to digital payment customers resulting from decreased client reserve funds. The following table sets out a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Payables to digital payment customers	3,318,885	4,119,309	2,461,335
Staff costs and welfare accruals.	25,365	36,506	40,758
Dividend payables.	–	28,369	970
Received in advance	10,393	10,393	10,298
Accruals	8,231	72	14
Other tax payables.	3,852	3,083	3,733
Provision of contingent guarantees	–	–	1,231
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	414	498	372
Total.	3,367,140	4,198,230	2,521,897

Our Directors confirm that there was no material default in other payables and accruals during the Track Record Period and up to the Latest Practicable Date.

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Contract Liabilities

Our contract liabilities primarily represented the advance consideration received from customers regarding integrated digital payment services and digital commerce-enabling solutions. Our contract liabilities increased by 62.5% from RMB4.9 million as of December 31, 2022 to RMB8.0 million as of December 31, 2023, primarily due to an increase in prepaid annual fees for our account operation services resulting from increasing customers’ demand. Our contract liabilities increased by 35.7% from RMB8.0 million as of December 31, 2023 to RMB10.9 million as of December 31, 2024, primarily due to an increase in prepaid annual fees for our account operation services resulting from increasing customers’ demand.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically funded our cash requirements principally from cash generated from operations and bank borrowings. After the [REDACTED], we intend to finance our future capital requirements through cash generated from our business operations, bank borrowings and the net [REDACTED] from the [REDACTED]. We do not anticipate any changes to the availability of financing to fund our operations in the future.

As of December 31, 2022, 2023 and 2024, we had bank balances and cash of RMB203.5 million, RMB313.5 million and RMB352.1 million, respectively. Taking into account the net [REDACTED] from the [REDACTED] and the financial resources available to us, including our cash and cash equivalents, our available banking facilities, and cash flows from operating activities, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

Cash Flow

The following table sets out a summary of our cash flow for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
	(RMB in thousands)		
Net cash generated from operating activities	80,191	232,524	140,659
Net cash generated from/(used in) investing activities	17,183	(14,120)	(49,247)
Net cash used in financing activities	(62,638)	(113,420)	(51,794)
Net increase in cash and cash equivalents	34,736	104,984	39,618
Cash and cash equivalents at the beginning of the year	165,043	203,456	313,534
Effects of exchange rate changes on cash and cash equivalents	3,677	5,094	(1,078)
Cash and cash equivalents at the end of the year	203,456	313,534	352,074

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Net Cash Generated From Operating Activities

In 2024, our net cash generated from operating activities was RMB140.6 million, reflecting our profit before income tax of RMB93.1 million, adjustments of non-cash and non-operating items, movements in working capital, interest received of RMB17.1 million and income taxes paid of RMB4.8 million. Adjustments of non-cash and non-operating items primarily comprised depreciation on property, plant and equipment of RMB27.5 million, partially offset by bank interest income of RMB17.1 million. Our movements in working capital primarily comprised decrease in client reserve funds and restricted bank deposits of RMB1,645.8 million, partially offset by decrease in other payables and accruals of RMB1,648.7 million.

In 2023, our net cash generated from operating activities was RMB232.5 million, reflecting our profit before income tax of RMB105.2 million, adjustments of non-cash and non-operating items, movements in working capital, interest received of RMB15.5 million and income taxes paid of RMB15.7 million. Adjustments of non-cash and non-operating items primarily comprised depreciation on property, plant and equipment of RMB29.2 million and equity-settled share-based payment of RMB14.8 million, partially offset by bank interest income of RMB15.5 million. Our movements in working capital primarily comprised increase in other payables and accruals of RMB802.7 million and increase in trade payables of RMB53.5 million, partially offset by increase in client reserve funds and restricted bank deposits of RMB781.6 million.

In 2022, our net cash generated from operating activities was RMB80.2 million, reflecting our profit before income tax of RMB81.7 million, adjustments of non-cash and non-operating items, movements in working capital, interest received of RMB14.3 million and income taxes paid of RMB7.6 million. Adjustments of non-cash and non-operating items primarily comprised depreciation on property, plant and equipment of RMB30.6 million and equity-settled share-based payment of RMB10.2 million, partially offset by bank interest income of RMB14.3 million. Our movements in working capital primarily comprised decrease in client reserve funds and restricted bank deposits of RMB124.3 million, partially offset by decrease in other payables and accruals of RMB170.0 million.

Net Cash Generated From/(Used in) Investing Activities

In 2024, our net cash used in investing activities was RMB49.2 million, which was primarily attributable to placement of time deposits of RMB50.0 million, partially offset by proceeds on disposal of interests in a subsidiary without change of control of RMB4.0 million.

In 2023, our net cash used in investing activities was RMB14.1 million, which was primarily attributable to investment in fair value through other comprehensive income of RMB54.6 million and purchase of FVTPL of RMB18.1 million, partially offset by proceeds on disposal of financial assets at FVTPL of RMB60.3 million.

In 2022, our net cash generated from investing activities was RMB17.2 million, which was primarily attributable to proceeds on disposal of financial assets at FVTPL of RMB459.0 million, partially offset by the purchase of financial assets at FVTPL of RMB437.8 million.

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Net Cash Flows Used in Financing Activities

In 2024, our net cash used in financing activities was RMB51.8 million, which was primarily attributable to (i) dividends paid of RMB67.4 million and (ii) repayment of borrowings of RMB22.4 million, partially offset by proceeds from bank borrowings of RMB50.0 million.

In 2023, our net cash used in financing activities was RMB113.4 million, which was primarily attributable to (i) dividends paid of RMB91.6 million and (ii) repayment of borrowings of RMB10.0 million.

In 2022, our net cash used in financing activities was RMB62.6 million, which was primarily attributable to (i) dividends paid of RMB42.9 million, (ii) interest paid of RMB7.5 million and (iii) repayment of borrowings of RMB7.5 million.

INDEBTEDNESS

During the Track Record Period, our indebtedness included borrowings, lease liabilities and provision of contingent guarantees. The table below sets out the details of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	(RMB in thousands)			(Unaudited)
Current				
Borrowings	10,073	12,500	55,100	125,000
Lease liabilities	2,630	3,244	2,787	2,253
Provision of contingent guarantees	—	—	1,231	—
	<u>12,703</u>	<u>15,744</u>	<u>59,118</u>	<u>127,253</u>
Non-current				
Borrowings	160,000	147,500	132,500	132,500
Lease liabilities	1,419	2,328	1,215	1,158
	<u>161,419</u>	<u>149,828</u>	<u>133,715</u>	<u>133,658</u>
Total	<u>174,122</u>	<u>165,572</u>	<u>192,833</u>	<u>260,911</u>

Borrowings

As of December 31, 2022, 2023, 2024 and March 31, 2025, we had borrowings of RMB170.1 million, RMB160.0 million, RMB187.6 million and RMB257.5 million, respectively. As of December 31, 2022, 2023, 2024 and March 31, 2025, RMB170.1 million, RMB160.0 million, RMB187.6 million and RMB147.5 million of our borrowings were secured by our investment properties and buildings. Our borrowings are all denominated in Renminbi. The interest rate on our fix-rate bank loans ranges from 2.2% to 3.2% per annum. As of the Latest Practicable Date, we did not have any unutilized banking facilities.

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Our Directors confirm that there was no restrictive covenant on any of our outstanding debt and there was no default in payments of our liabilities, and/or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

As of December 31, 2022, 2023, 2024 and March 31, 2025, we had lease liabilities of RMB4.0 million, RMB5.6 million, RMB4.0 million and RMB3.4 million, respectively, mainly representing leases for our offices.

Our lease liabilities increased from RMB4.0 million as of December 31, 2022 to RMB5.6 million as of December 31, 2023, primarily due to an increase in properties we leased in 2023. Our lease liabilities decreased by 28.2% from RMB5.6 million as of December 31, 2023 to RMB4.0 million as of December 31, 2024, primarily due to our payment of lease liabilities.

Provision of Contingent Guarantees

As of December 31, 2022, 2023, 2024 and March 31, 2025, our provision of contingent guarantees amounted to nil, nil, RMB1.2 million, and nil, respectively. The provision of contingent guarantees mainly represented the provision for our Company’s guarantee of Fuiou Group’s payment obligations for equity transfer in the event that Fuiou Group fails to fully settle the relevant consideration by the agreed time. Since the transaction was directed by Fuiou Group, we accounted for the fair value of the financial guarantees as a distribution. See Note 8 to the Accountants’ Report included in Appendix I to this document.

No Other Outstanding Indebtedness

Save as disclosed above, we had no outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of March 31, 2025, being our indebtedness statement date. After due and careful consideration, our Directors confirm that there had been no material change in our indebtedness since March 31, 2025 and up to the Latest Practicable Date.

Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings and default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of December 31, 2022, 2023 and 2024, we did not have any material contingent liabilities.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Revenue growth rate (%) ⁽¹⁾	3.7	31.8	8.5
– Integrated digital payment services (%) ⁽²⁾	2.5	30.7	6.9
– Digital commerce-enabling solutions (%) ⁽³⁾	41.4	63.9	43.9
Gross profit margin (%) ⁽⁴⁾	28.4	25.2	25.9
Operating expenses as a percentage of revenue (%) ⁽⁵⁾	22.1	19.3	19.0
Net profit margin (%) ⁽⁶⁾	6.2	6.2	5.2
Adjusted net profit margin (%) (non-IFRS measure) ⁽⁷⁾	7.1	7.2	7.1

Notes:

- (1) Revenue growth rate equals revenue growth divided by revenue for the previous year.
- (2) Revenue growth rate for integrated digital payment services equals revenue growth for integrated digital payment services divided by revenue for integrated digital payment services for the previous year.
- (3) Revenue growth rate for digital commerce-enabling solutions equals revenue growth for digital commerce-enabling solutions divided by revenue for digital commerce-enabling solutions for the previous year.
- (4) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.
- (5) Operating expenses as a percentage of revenue equals the sum of selling and distribution expenses, research and development expenses and administrative expenses divided by revenue and multiplied by 100%.
- (6) Net profit margin equals profit for the year divided by revenue and multiplied by 100%.
- (7) Adjusted net profit margin (non-IFRS measure) equals adjusted net profit (non-IFRS measure) for the year divided by revenue for the year and multiplied by 100%. See “– Non-IFRS Measures.”

Revenue Growth Rate

Our revenue growth rate was 31.8% from 2022 to 2023 primarily because the COVID-19 pandemic has subsided in 2023, resulting in a resurgence in our business growth. Our revenue growth rate from 2023 to 2024 decreased to 8.5% primarily due to the base effect as a result of the rapid surge of acquiring services in 2023 following the gradual phasing-out of the COVID-19 pandemic.

Revenue Growth Rate for Integrated Digital Payment Services

Our revenue growth rate for integrated digital payment services was 30.7% from 2022 to 2023 primarily because the COVID-19 pandemic has subsided in 2023, resulting in a resurgence in the revenue growth of our domestic payment services. Our revenue growth rate for integrated digital payment services from 2023 to 2024 decreased to 6.9% primarily due to the base effect as a result of the rapid surge of integrated digital payment services in 2023 following the gradual phasing-out of the COVID-19 pandemic.

FINANCIAL INFORMATION

Revenue Growth Rate for Digital Commerce-enabling Solutions

Our revenue growth rate for digital commerce-enabling solutions was 63.9% from 2022 to 2023 primarily due to the increase in the revenue growth rate for digital marketing services and other value-added services. Our revenue growth rate for digital commerce-enabling solutions from 2023 to 2024 decreased to 43.9% primarily due to the base effect as a result of the rapid surge of digital marketing services and other value-added services in 2023 following the gradual phasing-out of the COVID-19 pandemic.

Gross Profit Margin

See “– Period-to-Period Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Operating Expenses as a Percentage of Revenue

Our operating expenses as a percentage of revenue decreased from 22.1% in 2022 to 19.3% in 2023, primarily due to our enhanced operational efficiency. Our operating expenses as a percentage of revenue remained relatively stable at 19.3% in 2023 and 19.0% in 2024.

Net Profit Margin

Our net profit margin remained relatively stable at 6.2% in 2022 and 2023. Our net profit margin decreased from 6.2% in 2023 to 5.2% in 2024, primarily because (i) we experienced an increase in administrative expenses and (ii) we experienced a decrease in other income and other gains or losses, net.

Adjusted Net Profit Margin (Non-IFRS Measure)

Our adjusted net profit margin (non-IFRS measure) remained relatively stable at 7.1% in 2022 and 7.2% in 2023. Our adjusted net profit margin (non-IFRS measure) decreased from 7.2% in 2023 to 7.1% in 2024, primarily due to a decrease in net profit margin, partially offset by an increase in [REDACTED] expenses.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners’ equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

FINANCIAL INFORMATION

CAPITAL COMMITMENTS

During the Track Record Period, we did not have any outstanding capital commitments.

CAPITAL EXPENDITURES

Our capital expenditure consisted of (i) purchase of property, plant and equipment and (ii) purchase of intangible assets. Our capital expenditures in 2022, 2023 and 2024 were RMB6.1 million, RMB1.6 million and RMB1.5 million, respectively. The following table sets forth our capital expenditures for the years indicated.

	Year ended December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Purchase of property, plant and equipment	6,109	1,208	1,320
Purchase of intangible assets	26	377	161
Total	6,135	1,585	1,481

We funded our capital expenditure requirements during the Track Record Period mainly from cash flow generated from operating activities and debt financing. We intend to fund our future capital expenditures with a combination of operating cashflow, debt financing and net [REDACTED] received from the [REDACTED].

MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 41 to the Accountants’ Report included in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, or JLL, an independent property valuer, valued our investment property interests as of April 30, 2025 and is of the opinion that the aggregate value of our investment property interests as of such date was RMB103.6 million. The letter and summary disclosure of property valuation with regard to such property interests are set out in Appendix III to this document.

FINANCIAL INFORMATION

A reconciliation of the net book value of our investment properties as of December 31, 2024, as set out in the Accountants’ Report in Appendix I to this document, to their fair value as of April 30, 2025 as stated in the property valuation report set out in Appendix III to this document is set out below:

(RMB in thousands)

Net book value of the investment properties as of December 31, 2024	91,602
Add: Transfer from property, plant and equipment	2,189
Less: Depreciation	(2,402)
Net book value of the investment properties as of April 30, 2025	91,389
<i>(unaudited)</i>	
Net valuation surplus	12,211
Market value of investment properties as of April 30, 2025 as set out in the property valuation report in Appendix III to this document	103,600

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including interest rate risk, credit risk, liquidity risk and foreign currency risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 44 to the Accountants’ Report included in Appendix I to this document.

Interest Rate Risk

Our interest-bearing financial instruments at variable rates as of December 31, 2022, 2023 and 2024 are the cash at bank, client reserve funds and client reserve funds risk reserve. We are also exposed to cash flow interest rate risk in relation to variable rate bank borrowings. As at December 31, 2022, 2023 and 2024, if interest rates have increased or decreased by 50 basis points with all other variables held constant, our post-tax profit, after taking into account the impact of interest expense, would decrease or increase by approximately RMB722.0 thousand, RMB680.0 thousand and RMB797.0 thousand, respectively.

Credit Risk

Our credit risk is primarily attributable to trade receivables, deposits and other receivables. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, deposits and other receivables, individual credit evaluations are performed on all customers. These evaluations focus on our customer’s past history of making payments when due and current ability to pay, and take into account information specific to our customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due from the date of billing. Normally, we do not obtain collateral from customers.

FINANCIAL INFORMATION

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at December 31, 2022, 2023 and 2024, we had certain concentrations of credit risk as 30.0%, 22.4% and 14.8% of our trade receivables were due from our largest debtor, respectively, and 57.4%, 55.6% and 43.1% of our trade receivables were due from our five largest debtors, respectively.

Liquidity Risk

Ultimate responsibility for liquidity risk management rests with our Directors, which has built an appropriate liquidity risk management framework for the management of our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves.

Foreign Currency Risk

Foreign currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk to us is minimal as most of our transactions are carried out in functional currency of the respective entities. We are exposed to currency risk primarily through financial assets and financial liabilities that are denominated in a currency other than the functional currency of the several subsidiaries of our Group to which they relate.

The subsidiaries are mainly exposed to foreign currency of USD, British Pound (“**GBP**”), SGD, HKD and South Korean Won (“**KRW**”).

We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

DIVIDEND

In 2022, we declared and paid interim dividends of RMB25.0 million. In 2023, we declared interim dividends of RMB120.0 million, of which RMB91.6 million was paid in 2023 and RMB28.4 million was paid in January 2024. In 2024, we declared interim dividends of RMB40.0 million, of which RMB39.0 million was paid during 2024 and the remaining RMB1.0 million is expected to be paid by the third quarter of 2025. In 2025, we declared interim dividends of RMB40.0 million, of which RMB24.4 million was paid in March 2025 and the remaining RMB15.6 million is expected to be paid by the second quarter of 2025. All of the dividends were paid in cash. No other dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period.

FINANCIAL INFORMATION

We do not have any dividend policy. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends should be paid only out of the profit for the year calculated according to PRC accounting principles, while the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects. PRC laws also require our subsidiaries to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2024, our distributable reserves amounted to RMB18.3 million.

[REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] stated in this document), the aggregate commissions and fees, together with the Stock Exchange listing fee, AFRC transaction levy, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the [REDACTED], which are payable by us, are estimated to amount in aggregate to be approximately RMB[REDACTED], accounting for [REDACTED]% of the gross [REDACTED] from the [REDACTED], of which RMB[REDACTED] has been charged to our consolidated statements of profit or loss in the year ended December 31, 2024, approximately RMB[REDACTED] is expected to be charged to profit and loss after the Track Record Period, and approximately RMB[REDACTED] is directly attributable to the [REDACTED] and [REDACTED] of our [REDACTED] and will be deducted from equity upon the [REDACTED]. By nature, our [REDACTED] expenses are composed of (i) [REDACTED] commission of approximately RMB[REDACTED], and (ii) non-[REDACTED] related expenses of approximately RMB[REDACTED], which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB[REDACTED] and other fees and expenses of approximately RMB[REDACTED].

FINANCIAL INFORMATION

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See “Appendix II – Unaudited [REDACTED] Financial Information.”

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, as of the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since December 31, 2024 (being the end date of our latest audited financial statements) and there has been no event since December 31, 2024 that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstance that would give rise to a disclosure requirement under Rules 13.13 to Rule 13.19 of the Listing Rules.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

See “Business – Our Strategies” for a detailed discussion of our future plans.

USE OF [REDACTED]

We estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED], after deducting the [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED], assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this document) and assuming that the [REDACTED] is not exercised.

Assuming that the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]), we intend to use the net [REDACTED] from the [REDACTED] for the following purposes:

- Approximately [35.0]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to enhance our product portfolio with differentiated innovative solutions, including:
 - Approximately [25.0]%, or HK\$[REDACTED], is expected to be used to enhance and upgrade the key capabilities and functionalities of our existing solutions. We plan to:
 - (i) improve the functionalities of our domestic payment services, including development of industry-specific payment solutions covering public transportation, leisure and entertainment, and, logistics industries. In order to enhance user experience and improve system scalability and stability, we plan to purchase cloud services to migrate high-traffic applications onto public cloud. We also plan to acquire data warehouse products to enhance payment-related data governance capabilities, which includes improving data quality, data security, compliance, data lifecycle management, access control, audit and monitoring, and data integration. These enhancements will provide enhanced valuable support for our business's marketing and pricing strategies;
 - (ii) further develop our cross-border digital payment services, especially B2B cross-border digital payment services, including investment in R&D of one-stop payment settlement tools and payment system platform, covering data centers, network, operation and maintenance, websites, systems, third-party services and databases. Specifically, we plan to hire professionals in areas like international payments compliance, risk management, and international card acquiring and settlement;

FUTURE PLANS AND [REDACTED]

- (iii) further develop and enhance our merchant SaaS solutions, including investment in development of industry-specific solutions covering catering, retail, and leisure and entertainment industries. In particular, we will strengthen our analyzing capability by integrating the functional modules and deeply mining the data points, to further enhance our existing solutions and launch new products and services to fulfill customers’ needs in different industries. In addition, we plan to recruit approximately ten employees across different departments, including product development, marketing and business operation to support the expansion of our merchant SaaS solutions; and
 - (iv) further strengthen the single API capability for our customers with closed-loop payment experience, enhance functionalities, features and integration process of our API connections to deliver more stable, scalable and secure services and improve customer loyalty, and enrich API functionalities and features to provide customized API product functionalities that cater to a broader range of industry-specific solutions. Specifically, we plan to procure high-performance hardware servers and expand our API application nodes, aiming to increase API’s throughput by handling a higher volume of requests, enhance its response speed and improve the overall performance of API connections.
- Approximately [10.0]%, or HK\$[REDACTED] to further innovate and monetize our new solutions to enlarge our customer base and grow revenue. We plan to:
 - (i) develop our electronic invoicing services for our customers and increase public awareness of our brand and service offerings; and
 - (ii) develop more tailored PaaS products for target customers by integrating and transmitting our capabilities in digital payment services and digital commerce-enabling solutions to serve more merchants, enterprises and financial institutions. Specifically, (a) with the benefit from our open ecosystem, we will focus on understanding customer pain points and fulfilling the specific needs of merchants, enterprises and financial institutions during the product design and planning stages, (b) adopting a modular product development approach, we will design our PaaS products with a modular architecture to enable customization based on customer specifications, and (c) we will leverage our existing marketing channels to promote our tailored PaaS products and broaden our customer reach.

By diversifying our product portfolio and widening our customer reach, we anticipate an increase in revenue streams. Enhanced functionalities and improved user experiences are also expected to drive customer retention and acquisition, further boosting revenue growth. We also expect to generate net operating cash flows from the new solutions and improvements. The development of advanced solutions will incur significant costs, including expenditures on cloud service subscriptions and high-performance hardware servers, as well as R&D costs

FUTURE PLANS AND [REDACTED]

for tailored products and solutions. However, these investments are projected to streamline operational efficiencies by reducing the need for physical infrastructure and improving system scalability and stability. Adopting new technologies and developing new products inherently carries certain risks. These include potential technical challenges, competition, and regulatory compliance issues. See “Risk Factors – Risks Relating to Our Business and Industry – Our success depends on our ability to develop and continually enhance our services and solutions to timely respond or adapt to the rapidly evolving markets where we operate.”

- Approximately [30.0]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to invest in technology platform and infrastructure to enhance our technological capabilities. We intend to expand our R&D team through attracting and cultivating talents in the areas of AI, big data analysis, data privacy and security to maintain and strengthen our competitive edge. In particular:
 - o Approximately [14.0]%, or HK\$[REDACTED], is expected to be used to strengthen our investment in modular technology platforms. We plan to upgrade our technology platforms, covering international cross-border processing system, aggregated acquiring business processing system, merchant service system, Internet payment business processing system, settlement and billing system and data warehouse system, enhancing their transaction processing capabilities.
 - o approximately [8.5]%, or HK\$[REDACTED], will be used to optimize our key digital payment business related technologies. We plan to:
 - (i) develop (a) fintech technologies including cloud services platform for financial institutions and payment service providers and (b) global digital payment service technology;
 - (ii) develop smart account operation management system for our customers;
 - (iii) develop advanced payment technologies, including biometrics technology, touchless payment technology; and
 - (iv) develop and enhance our big data platform to improve our capabilities in big data analysis and operations.
 - o approximately [7.5]%, or HK\$[REDACTED], will be used to improve existing technology infrastructure, including expanding hardware resources and configurations for key applications and databases to ensure stability and efficiency of our transaction system and procuring a wider range of network security tools to enhance our security capabilities.

FUTURE PLANS AND [REDACTED]

Continue investing in technology platform and infrastructure will enable us to maintain a rapid product iteration cycle, enabling us to enhance research and development capabilities and streamline product deployment. This improved efficiency and the ability to offer more sophisticated and tailored services will attract new clients and retain existing ones, thereby fueling revenue growth. However, investing in technology platform and infrastructure and talent acquisition require additional capital resources. See “Risk Factors – Risks Relating to Our Business and Industry – We may require additional capital resources due to future growth and development of our business, but we may not be able to obtain financing on favorable terms or at all.” Although the initial investment in technology platforms and infrastructure will elevate our capital expenditures in the short term, this strategic decision is expected to yield long-term cost efficiencies. Likewise, while initial investments will temporarily impact cash flow, the long-term benefits include more robust and predictable cash flows due to enhanced product portfolio and increased operational efficiency.

- Approximately [15.0]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to further expand our payment network and deepen our relationships with ecosystem partners, including:
 - approximately [8.0]%, or HK\$[REDACTED], will be used to establish broader and stronger collaborative relationships with ecosystem partners. We will enhance our cooperation with key stakeholders in our ecosystem, including clearing institutions and payment networks, banks, e-commerce platforms and payment institutions, aggregated payment platforms, SaaS providers and channel partners. Specifically, we plan to segment ecosystem partners based on their industry traits for precise marketing and tailor solution offerings to meet their diverse requirements. Furthermore, we conduct regular comprehensive training sessions to enhance their capabilities.
 - approximately [7.0]%, or HK\$[REDACTED], will be used to acquire new customers through comprehensive payment network and broader distribution network, among others. We plan to (i) enhance customer acquisition efforts through online promotions, offline industry conferences and collaboration with channel partners, and (ii) promptly adjust marketing strategies based on market trends.

Expanding our channel partners and payment network is anticipated to drive revenue growth through a wider customer base and higher transaction volumes. Additionally, we expect reduced operating costs due to economies of scale, thereby improving profit margins and positively influencing cash flow. As we expand our network of channel partners, effectively managing them is becoming vital to our business. See “Risk Factors – Risks Relating to Our Business and Industry – If we fail to maintain our relationship with our channel partners, or to properly manage them, our reputation, business, financial condition and results of operations may be materially and adversely affected.” and “Risk Factors – Risks Relating to Our Business and Industry – We may not be able to maintain and strengthen the network effects of our ecosystem, which could materially and adversely affect our business, financial condition, results of operations and prospects.”

FUTURE PLANS AND [REDACTED]

- Approximately [10.0]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used to expand our overseas business to strengthen our market position and implement our growth strategy.
 - Approximately [5.0]%, or HK\$[REDACTED], will be used to to expand aggregated acquiring services in Hong Kong and Southeast Asia. As of the Latest Practicable Date, our two subsidiaries in Hong Kong each had already obtained a Money Service Operator License for providing cross-border digital payment services. See “Business – Licenses, Permits, Filings and Regulatory Approvals.” We plan to launch tailored local acquiring products, by leveraging and interacting with our domestic resources and capabilities, to cater to local customers’ needs. Specifically, we plan to provide acquiring products by obtaining local payment licenses or partnering with local acquiring institutions and banks. The actual plans will be based on future commercial decisions and are subject to regulatory developments. In addition, we expect to extend our reach to Southeast Asia. As of the Latest Practicable Date, we have entered into the Proposed Acquisition with a target company based in Singapore, which holds a Major Payment Institution License for providing local aggregated acquiring services and a Money Service Operator License for offering cross-border digital payment services. See “Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Post-Track Record Period Acquisition.”
 - Approximately [5.0]%, or HK\$[REDACTED], will be used to to develop merchant SaaS solutions, digital marketing services, account operation services and other value-added services tailored to the merchants and financial institutions in Hong Kong and Southeast Asia. Specifically, we have completed market research and product preparation for the Hong Kong market as of the Latest Practicable Date and plan to collaborate with local channel partners for market outreach. Additionally, we plan to leverage Hong Kong as our overseas hub to conduct market research for the Southeast Asia market.

The overseas expansion plan will allow us to tap into global markets and cater to the needs of overseas customers, potentially increasing our revenue. Although there will be extra costs associated with understanding overseas customer needs, creating customized products and conducting marketing activities, we anticipate an improvement in profit margins driven by satisfying products and effective marketing strategies. We also anticipate a positive cash flow with the projected growth in revenue from the new markets. However, the entry into new geographical markets introduces several risks. See “Risk Factors – Risks Relating to Our Business and Industry – We may face challenges in developing our international operations.”

- Approximately [10.0]% of the net [REDACTED], or HK\$[REDACTED], is expected to be used for working capital and general corporate purposes.

FUTURE PLANS AND [REDACTED]

If the [REDACTED] is set at the high-end of the [REDACTED] or the low-end of the [REDACTED], the net [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED], respectively. To the extent our net [REDACTED] from the [REDACTED] are either more or less than expected, we will increase or decrease the intended use of our net [REDACTED] for the above purposes on a pro rata basis.

If the [REDACTED] is fully exercised, our Company will receive additional net [REDACTED] of approximately HK\$[REDACTED] for [REDACTED] Shares to be allotted and issued upon the full exercise of the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED], and after deducting the [REDACTED] fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of [REDACTED] on a pro-rata basis.

If any part of our development plan does not [REDACTED] as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may [REDACTED] the net [REDACTED] from the [REDACTED].

To the extent that the net [REDACTED] of the [REDACTED] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, we will only deposit the unused net [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions).

FUTURE PLANS AND [REDACTED]

IMPLEMENTATION PLAN

The following table sets forth the implementation plan for each purpose:

Purposes	Allocation proportion	Estimated investments for			Total amount of the net [REDACTED] to be used
		first year upon the [REDACTED]	second year upon the [REDACTED]	third year upon the [REDACTED]	
	(%)			(HK\$ in millions)	
Enhance our product portfolio with differentiated innovative solutions	35.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(i) enhance and upgrade the key capabilities and functionalities of our existing solutions	25.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(ii) further innovate and monetize our new solutions to enlarge our customer base and grow revenue	10.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Invest in technology platform and infrastructure to enhance our technological capabilities	30.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(i) strengthen our investment in modular technology platforms	14.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(ii) optimize our key digital payment business related technologies	8.5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(iii) improve existing technology infrastructure	7.5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further expand our payment network and deepen our relationships with ecosystem partners	15.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(i) establish broader and stronger collaborative relationships with ecosystem partners	8.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(ii) acquire new customers	7.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expand our overseas business	10.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(i) expand aggregated acquiring services in Hong Kong and Southeast Asia	5.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(ii) develop merchant SaaS solutions, digital marketing services, account operation services and other value-added services	5.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital and general corporate purposes	10.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	100.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

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APPENDIX I

ACCOUNTANTS’ REPORT

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI FUIOU PAYMENT SERVICE CORP., LTD.

INTRODUCTION

We report on the historical financial information of Shanghai Fuiou Payment Service Corp., Ltd. (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages [•] to [•], which comprises the consolidated statements of financial position as of December 31, 2022, 2023 and 2024 and the statements of financial position of the Company as of December 31, 2022, 2023 and 2024, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages [•] to [•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “**Document**”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

DIRECTOR’S RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also

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ACCOUNTANTS’ REPORT

included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as of December 31, 2022, 2023 and 2024, the Company’s financial position as of December 31, 2022, 2023 and 2024, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

ADJUSTMENTS

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-17 have been made.

DIVIDENDS

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

BDO Limited

Certified Public Accountants

Practising Certificate no. [•]

Hong Kong

[REDACTED]

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ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
	Notes			
REVENUE	7	1,142,419	1,505,665	1,634,256
Cost of sales		(817,733)	(1,125,630)	(1,210,805)
Gross profit		324,686	380,035	423,451
Other income and other gains or loss, net	8	16,778	20,955	(8,717)
Selling and distribution expenses		(111,577)	(141,386)	(137,319)
Research and development expenses		(53,793)	(56,880)	(60,698)
Administrative expenses		(87,502)	(92,088)	(112,085)
Reversal of impairment/(impairment loss) on financial assets, net	10	(382)	907	(673)
Operations profit		88,210	111,543	103,959
Finance income	9	2,953	2,103	1,651
Finance costs	9	(7,495)	(6,709)	(7,282)
Finance costs, net		(4,542)	(4,606)	(5,631)
Share of net loss of joint venture accounted for using the equity method	21	(2,229)	(3,613)	(3,842)
Share of net profit/(loss) of associates accounted for using the equity method	22	215	1,897	(1,386)
PROFIT BEFORE INCOME TAX	10	81,654	105,221	93,100
Income tax expense	11	(10,489)	(12,237)	(8,775)
PROFIT FOR THE YEAR		71,165	92,984	84,325

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ACCOUNTANTS’ REPORT

		Year ended December 31,		
		2022	2023	2024
Notes		RMB'000	RMB'000	RMB'000
OTHER COMPREHENSIVE INCOME/				
(EXPENSE)				
Item that may be subsequently reclassified to profit or loss in subsequent periods:				
– Exchange differences on translation of foreign operations				
		3,895	(65)	1,699
Item that will not be reclassified to profit or loss:				
– Changes in fair value of financial assets at fair value through other comprehensive income ("FVOCI"), net of tax				
		(2,127)	(157)	(706)
OTHER COMPREHENSIVE (EXPENSE)/				
INCOME FOR THE YEAR, NET OF				
TAX				
		1,768	(222)	994
TOTAL COMPREHENSIVE INCOME				
FOR THE YEAR				
		72,933	92,762	85,318
Profit/(loss) for the year attributable to:				
Owners of the Company				
		71,535	93,165	84,065
Non-controlling interests				
		(370)	(181)	260
		71,165	92,984	84,325
Total comprehensive income/(expenses) for the year attributable to:				
Owners of the Company				
		73,275	92,943	85,070
Non-controlling interests				
		(342)	(181)	248
		72,933	92,762	85,318
Earnings per share (RMB) attributable to owners of the Company				
Basic and diluted.	13	0.20	0.26	0.23

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of December 31,		
		2022	2023	2024
		RMB’000	RMB’000	RMB’000
Notes				
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	15	100,169	97,385	91,602
Property, plant and equipment	16	440,042	409,106	382,677
Goodwill	18	–	–	–
Intangible assets	19	3,192	3,056	2,762
Right-of-use assets	20(a)	4,359	6,261	4,641
Interests in a joint venture	21	4,948	1,454	–
Interests in associates	22	37,639	39,536	36,650
Financial assets at fair value through profits or loss (“FVTPL”)	23	11,557	11,922	10,666
Equity instrument designated at FVOCI	23	3,275	52,570	52,578
Prepayment for investment in a joint venture	27	–	2,408	–
Deferred tax assets	24	21,774	19,499	19,491
Total non-current assets		626,955	643,197	601,067
Current assets				
Inventories	25	5,882	2,878	3,628
Financial assets at FVTPL	23	42,220	–	–
Trade receivables	26	70,780	63,047	54,693
Prepayments, deposits and other receivables	27	19,690	25,679	43,622
Prepayment for an investment	27	–	–	3,483
Client reserve funds and restricted bank deposits	28	3,200,866	3,982,465	2,336,631
Time deposits with maturity over three months	28	100,000	100,000	150,000
Bank balances and cash	28	203,456	313,534	352,074
Tax recoverable		65	213	93
Total current assets		3,642,959	4,487,816	2,944,224
Current liabilities				
Trade payables	29	126,630	180,104	182,860
Other payables and accruals	30	3,367,140	4,198,230	2,521,897
Contract liabilities	31	4,947	8,040	10,907
Borrowings	32	10,073	12,500	55,100
Lease liabilities	20(b)	2,630	3,244	2,787
Income tax payable		11,016	5,072	9,471
Total current liabilities		3,522,436	4,407,190	2,783,022
Net current assets		120,523	80,626	161,202
TOTAL ASSETS LESS CURRENT				
LIABILITIES.		747,478	723,823	762,269

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ACCOUNTANTS’ REPORT

		As of December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
	Notes			
Non-current liabilities				
Borrowings	32	160,000	147,500	132,500
Lease liabilities	20(b)	1,419	2,328	1,215
Deferred tax liabilities	24	869	1,217	874
Total non-current liabilities		162,288	151,045	134,589
Net assets		585,190	572,778	627,680
EQUITY				
Equity attributable to owners of the Company				
Share capital	34	360,000	360,000	360,000
Reserves	35	225,353	213,122	262,652
		585,353	573,122	622,652
Non-controlling interests	36	(163)	(344)	5,028
TOTAL EQUITY		585,190	572,778	627,680

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ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As of December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
Notes				
ASSETS AND LIABILITIES				
Non-current assets				
Investments in subsidiaries	17	59,871	110,804	117,129
Investment properties	15	100,169	97,385	91,602
Property, plant and equipment	16	438,464	407,935	382,149
Intangible assets	19	1,393	1,492	1,462
Right-of-use assets	20(a)	4,042	5,825	4,268
Interests in associates	22	37,639	39,536	36,650
Financial assets at FVTPL	23	11,557	11,922	10,666
Equity instrument designated at FVOCI	23	3,275	3,090	2,260
Deferred tax assets	24	21,773	19,490	19,477
Total non-current assets		678,183	697,479	665,663
Current assets				
Inventories	25	5,555	2,514	3,433
Financial assets at FVTPL	23	42,220	–	–
Trade receivables	26	65,766	61,892	52,495
Prepayments, deposits and other receivables	27	15,963	21,167	38,747
Amounts due from subsidiaries	37	247,476	289,812	501,000
Client reserve funds and restricted bank deposits	28	2,967,116	3,664,693	1,775,431
Time deposits with maturity over three months	28	100,000	100,000	150,000
Bank balances and cash	28	145,696	255,733	264,936
Total current assets		3,589,792	4,395,811	2,786,042
Current liabilities				
Trade payables	29	124,282	177,838	178,238
Other payables and accruals	30	3,363,941	4,156,154	2,451,320
Amounts due to subsidiaries	37	2,712	12,796	41,196
Contract liabilities	31	4,727	6,332	8,079
Borrowings	32	10,073	12,500	55,100
Lease liabilities	20(b)	2,311	2,855	2,480
Income tax payable		9,881	4,478	4,050
Total current liabilities		3,517,927	4,372,953	2,740,463
Net current assets		71,865	22,858	45,579
TOTAL ASSETS LESS CURRENT				
LIABILITIES		750,048	720,337	711,242

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ACCOUNTANTS’ REPORT

		As of December 31,		
		2022	2023	2024
		RMB’000	RMB’000	RMB’000
	Notes			
Non-current liabilities				
Borrowings	32	160,000	147,500	132,500
Lease liabilities	20(b)	1,345	2,268	1,152
Deferred tax liabilities	24	840	1,161	740
Total non-current liabilities		162,185	150,929	134,392
Net assets		587,863	569,408	576,850
EQUITY				
Share capital	34	360,000	360,000	360,000
Reserves	35	227,863	209,408	216,850
TOTAL EQUITY		587,863	569,408	576,850

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								Non-	
	Share capital	Share premium*	Capital reserve*	FVOCI reserve*	Translation reserve*	Statutory reserve*	Retained earnings*	Subtotal	controlling interests	Total equity
	RMB'000 (Note 34)	RMB'000 (Note 35(a))	RMB'000	RMB'000 (Note 35(b))	RMB'000 (Note 35(e))	RMB'000 (Note 35(c))	RMB'000 (Note 35(d))	RMB'000	RMB'000 (Note 36)	RMB'000
Balance at January 1, 2022	360,000	13,903	1,187	661	(1,068)	106,794	46,000	527,477	(492)	526,985
Profit/(loss) for the year	-	-	-	-	-	-	71,535	71,535	(370)	71,165
Exchange differences on translation of foreign operations	-	-	-	-	3,867	-	-	3,867	28	3,895
Changes in fair value of financial assets of FVOCI, net of tax	-	-	-	(2,127)	-	-	-	(2,127)	-	(2,127)
Total comprehensive income/(expenses) for the year	-	-	-	(2,127)	3,867	-	71,535	73,275	(342)	72,933
Equity-settled shared-based transactions (Note 33)	-	-	10,183	-	-	-	-	10,183	-	10,183
Dividend declared (Note 12)	-	-	-	-	-	-	(25,000)	(25,000)	-	(25,000)
Transfer of retained earnings	-	-	-	-	-	7,330	(7,330)	-	-	-
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	89	89
Acquisition of non-control interests of a subsidiary	-	-	-	-	-	-	(582)	(582)	582	-
Balance at December 31, 2022 and January 1, 2023	360,000	13,903	11,370	(1,466)	2,799	114,124	84,623	585,353	(163)	585,190

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ACCOUNTANTS’ REPORT

	Attributable to owners of the Company						Subtotal	Non-controlling interests	Total equity
	Share capital	Share premium*	Capital reserve*	FVOCI reserve*	Translation reserve*	Statutory reserve*	Retained earnings*		
	RMB'000 (Note 34)	RMB'000 (Note 35(a))	RMB'000	RMB'000 (Note 35(b))	RMB'000 (Note 35(e))	RMB'000 (Note 35(c))	RMB'000 (Note 35(d))	RMB'000 (Note 36)	RMB'000
Balance at December 31, 2022 and									
January 1, 2023	360,000	13,903	11,370	(1,466)	2,799	114,124	84,623	585,353	585,190
Profit/(loss) for the year	-	-	-	-	-	-	93,165	93,165	92,984
Exchange differences on translation of									
foreign operations	-	-	-	-	(65)	-	-	(65)	(65)
Changes in fair value of financial assets									
of FVOCI, net of tax	-	-	-	(157)	-	-	-	(157)	(157)
Total comprehensive income/(expenses)									
for the year	-	-	-	(157)	(65)	-	93,165	92,943	92,762
Equity-settled shared-based transactions									
(Note 33)	-	-	14,826	-	-	-	-	14,826	14,826
Dividend declared (Note 12)	-	-	-	-	-	-	(120,000)	(120,000)	(120,000)
Transfer of retained earnings	-	-	-	-	-	8,487	(8,487)	-	-
Balance at December 31, 2023 and									
January 1, 2024	360,000	13,903	26,196	(1,623)	2,734	122,611	49,301	573,122	572,778
Profit/(loss) for the year	-	-	-	-	-	-	84,065	84,065	84,325
Exchange differences on translation of									
foreign operations	-	-	-	-	1,711	-	-	1,711	1,699
Changes in fair value of financial assets of									
FVOCI, net of tax	-	-	-	(706)	-	-	-	(706)	(706)
Total comprehensive income/(expenses)									
for the year	-	-	-	(706)	1,711	-	84,065	85,070	85,318
Equity-settled shared-based transactions									
(Note 33)	-	-	6,765	-	-	-	-	6,765	6,765
Provision of contingent									
guarantees (Note 8(c))	-	-	(1,181)	-	-	-	-	(1,181)	(1,181)
Dividend declared (Note 12)	-	-	-	-	-	-	(40,000)	(40,000)	(40,000)
Transfer of retained earnings	-	-	-	-	-	4,001	(4,001)	-	-
Change in equity interests in a subsidiary									
without change in control	-	-	-	-	-	-	(1,124)	(1,124)	4,000
Balance at December 31, 2024	360,000	13,903	31,780	(2,329)	4,445	126,612	88,241	622,652	627,680

* These reserve accounts comprise the consolidated reserves as of December 31, 2022, 2023 and 2024 in the consolidated statements of financial position.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended December 31,		
		2022	2023	2024
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash flows from operating activities				
Profit before income tax		81,654	105,221	93,100
Adjustments for:				
Depreciation on property, plant and equipment	16	30,619	29,192	27,479
Depreciation on investment properties	15	5,614	5,643	5,783
Amortization of intangible assets	19	537	513	392
Depreciation on right-of-use assets	20(a)	5,095	4,652	4,748
Gain on lease termination		–	(31)	–
Gain on disposal of property, plant and equipment		(196)	(55)	(2)
Deregistration of a subsidiary		89	–	–
Impairment loss/(reversal of impairment loss) on financial assets		382	(907)	673
Fair value (gain)/loss of financial assets at FVTPL	8	2,377	(365)	1,256
Provision for/(reversal of) impairment of obsolete inventories		75	54	(18)
Expected credit loss provision on contingent guarantees	8	–	–	50
Impairment loss on prepayment for investment in a joint venture		–	–	2,408
Bank interest income	8	(14,325)	(15,531)	(17,061)
Finance income	9	(2,953)	(2,103)	(1,651)
Finance costs	9	7,495	6,709	7,282
Equity-settled share-based payment		10,183	14,826	6,765
Share of net loss of joint venture		2,229	3,613	3,842
Share of net profit of associates		(215)	(1,897)	1,386
Operating profit before working capital changes		128,660	149,534	136,432
(Increase)/decrease in inventories		2,601	2,950	(732)
(Increase)/decrease in trade receivables		(13,051)	8,736	8,293
(Increase)/decrease in prepayments, deposits and other receivables		(4,815)	(6,233)	(18,435)
(Increase)/decrease in client reserve funds and restricted bank deposits		124,347	(781,599)	1,645,834
Increase in trade payables		10,296	53,474	2,756
Increase/(decrease) in other payables and accruals		(169,970)	802,721	(1,648,663)
Increase/(decrease) in contract liabilities		(4,637)	3,093	2,866

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	Notes	Year ended December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
Cash generated from operations.....		73,431	232,676	128,351
Interest received	8	14,325	15,531	17,061
Income tax paid.....		(7,565)	(15,683)	(4,753)
Net cash from operating activities		80,191	232,524	140,659
Cash flows from investing activities				
Purchase of property, plant and equipment	16	(6,109)	(1,208)	(1,320)
Purchase of intangible assets.....	19	(26)	(377)	(161)
Investment in an associate.....	22	(1,500)	–	–
Prepayment for investment in a joint venture	27	–	(2,408)	–
Prepayment for an investment.....	27	–	–	(3,483)
Proceeds on disposal of interests in a subsidiary without change of control		–	–	4,000
Proceeds on disposal of financial assets at FVTPL.....		459,008	60,292	–
Purchase of financial assets at FVTPL.....		(437,772)	(18,072)	–
Proceeds on disposal of property, plant and equipment		629	150	66
Finance interest income.....	9	2,953	2,103	1,651
Investment in fair value through other comprehensive income.....		–	(54,600)	–
Placement of time deposits		–	–	(50,000)
Net cash from/(used in) investing activities		17,183	(14,120)	(49,247)
Cash flows from financing activities...				
Proceeds from bank borrowing		–	–	50,000
Repayment of borrowings		(7,500)	(10,000)	(22,400)
Repayment of lease liabilities		(4,743)	(5,007)	(4,713)
Dividends paid		(42,871)	(91,631)	(67,399)
Interest paid	9	(7,524)	(6,782)	(7,282)
Net cash used in financing activities.....		(62,638)	(113,420)	(51,794)
Net increase in cash and cash equivalents		34,736	104,984	39,618
Cash and cash equivalents at the beginning of the year.....		165,043	203,456	313,534
Effects of exchange rate changes on cash and cash equivalents		3,677	5,094	(1,078)
Cash and cash equivalents at the end of the year.....		203,456	313,534	352,074

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Shanghai Fuiou Payment Service Corp., Ltd. (the “**Company**”) is a limited liability company incorporated in the People’s Republic of China (the “**PRC**”) on July 25, 2011. The registered office address and principal place of business of the Company is located at Floor 3, Building 6, Fuiou Technology Park, No. 351, Jinzang Road, Pudong New Area, Shanghai, the PRC. The ultimate holding company is Shanghai Fuiou Financial Services Group Co., Ltd. (the “**Fuiou Group**”), a limited company incorporated in the PRC.

During the Track Record Period, the Company and its subsidiaries (collectively, the “**Group**”), are principally engaged in the provision of integrated digital payment and digital commerce-enabling solutions services in the PRC (the “[REDACTED] **Business**”).

Particulars of the Company’s subsidiaries at the date of this report are as follows:

Name of subsidiaries	Notes	Date and place of incorporation/ establishment	Place of operation	Issued and fully paid capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
Shanghai Mingxian Information Technology Co.* 上海明獻信息科技有限公司	1	2019-04-26, the PRC	The PRC	RMB40,000,000	90.00%	–	Provision of digital commerce-enabling solutions
Shanghai MaShang Business Service Co., Ltd.* 上海碼上商務服務有限公司	1	2022-10-13, the PRC	The PRC	RMB10,000,000	100.00%	–	Investment holding
Shanghai Fuqun Technical Services Co., Ltd.* 上海富群技術服務有限公司	1	2018-08-18, the PRC	The PRC	RMB11,120,000	90.00%	–	Digital business solutions
Glofortune Company Limited 智富恒通有限公司	1, 2	2014-04-08, Hong Kong	Hong Kong	HKD59,064,000	100.00%	–	Provision of cross-border digital payment services
FUIOUPAY US INC.	1	2019-05-23, the United States of America (the “USA.”)	The USA.	USD 1,500	–	100.00%	Digital payment service
FUIOUPAY UK LIMITED	1	2020-01-03, the United Kingdom (the “UK”)	The UK	British Pound 250,000	–	100.00%	Digital payment service
FUIOUPAY TECHNOLOGY SERVICE PTE., LED.	1	2019-09-26, the Republic of Singapore (the “SGP”)	The SGP	SGD8,668,201.93	100.00%	–	Investment holding
Mega Team Technology Limited 百盟科技有限公司	1, 3	2021-03-08, Hong Kong	Hong Kong	HKD12,000,000	–	100.00%	Cross-border payment services and general trading of electronic products
FK Co., Ltd.	4	2019-01-21, the Republic of Korea (the “ROK”)	The ROK	South Korea Won 4,853,380,000	–	100.00%	Intelligent operational solutions
Easy Cash Information Technology Co. Limited 香港明獻信息科技有限公司	1.5	2024-03-06, Hong Kong	Hong Kong	HKD10,000	–	100.00%	Investment holding
Fuiou Global Holdings Company Limited 富友環球控股有限公司	1	2023-11-16, Hong Kong	Hong Kong	HKD100,000	–	70.00%	Investment holding
Hunan Zhifu Information Technology Co. Limited 湖南智富信息科技有限公司	1,6	2024-12-20, the PRC	The PRC	RMB5,000,000	70.00%	–	Digital business solutions

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- (1) All companies comprising the Group have adopted December 31 as their financial year-end date.

No statutory audited financial statements were issued for these companies as there is no statutory requirement in their respective places of incorporation.

- (2) The statutory financial statements of Glofortune Company Limited for the year ended December 31, 2022 and 2023 were audited by Shine Wise & Co., certified public accountant registered in Hong Kong. For the year ended December 31, 2024, the statutory financial statements of Glofortune Company Limited will be audited by Shine Wise & Co., certified public accountant registered in Hong Kong.
- (3) The statutory financial statements of Mega Team Technology Limited for the year ended December 31, 2022 and 2023, prepared under Hong Kong Small and Medium-sized Entity Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, were audited by Shine Wise & Co., certified public accountant registered in Hong Kong. For the year ended December 31, 2024, the statutory financial statements of Mega Team Technology Limited will be audited by Shine Wise & Co., certified public accountant registered in Hong Kong.
- (4) The statutory financial statements of FK Co., Ltd for the year ended December 31, 2022 and 2023 were audited by Jian Accountant Corporation registered in South Korea.
- (5) The statutory financial statements of Easy Cash Information Technology Co., Limited for the year ended December 31, 2024 will be audited by DAVE KWOK & Co. certified public accountants registered in Hong Kong.
- (6) The non-controlling interest in Hunan Zhifu Information Technology Co. Limited had not fully paid up its registered capital as of December 31, 2024.

* The English translation of terms or names in Chinese which are marked with “*” is for identification purposes only. In the event of any inconsistency, the Chinese terms or names shall prevail.

For the purpose of the Historical Financial Information of this report, the directors of the Company have prepared the Underlying Financial Statements in accordance with the basis of preparation set out in Note 2 below and principal accounting policies set out in Note 4 below.

The Historical Financial Information has been prepared from the Underlying Financial Statements, with no adjustments made thereon.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards “IFRSs”, which includes, IFRS Accounting Standards, International Accounting Standard (“IAS”) and the related interpretations issued by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations). In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the “**Stock Exchange**”) and by the Hong Kong Companies Ordinance.

For the purpose of preparing and presenting the Historical Financial Information, all relevant standards, amendments and interpretations to the IFRS Accounting Standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period, unless otherwise stated.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5 below.

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2.2 Basis of measurement

The Historical Financial Information has been prepared on the historical cost basis, except for revaluation of certain financial assets at fair value through profit or loss or through other comprehensive income, which are carried at fair value.

2.3 Functional and presentation currency

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Company.

3. NEW OR REVISED IFRS ISSUED BUT NOT YET EFFECTIVE

The following new or revised IFRSs, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
IFRS 18	Presentation and disclosures in Financial Statements ³
IFRS 19	Subsidiaries without public accountability: Disclosures ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after January 1, 2025

² Effective for annual periods beginning on or after January 1, 2026

³ Effective for annual periods beginning on or after January 1, 2027

⁴ No mandatory effective date yet determined but available for adoption

The directors of the Company anticipate that the adoption of the new/revised IFRSs in future periods will have an impact of the disclosures in the financial statements of the Group but would not have any material impact on the Historical Financial Information.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

4.1 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) comprising the Group for the Track Record Period.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intra-group transactions, balances and unrealized gains on transactions have been eliminated in full on consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Adjustments are made to the financial statements of subsidiaries where necessary to ensure consistency with the policies adopted by the Group.

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4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee; (ii) exposure, or rights, to variable returns from the investee; and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company’s statements of financial position, investment in a subsidiary is stated at cost less impairment loss, if any. The results of subsidiary are accounted for by the Company on the basis of dividends received and receivable.

4.3 Investments in associates and joint venture

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group’s investments in associates and joint venture are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group’s share of the post-acquisition results and other comprehensive income of associates and joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s investments in the associates or joint venture, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group’s investments in associates or joint ventures.

If an entity’s share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the entity discontinues recognising its share of further losses. After the entity’s interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

4.4 Goodwill

Goodwill represents the excess of the cost of a business combination over the Group’s interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (“CGU”) (or group of CGU) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGU) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount (as defined in Note 4.11) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the CGU (or group of CGU).

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4.5 Revenue recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or service.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumption and estimations have been made in estimating the relative selling price of each distinct performance obligations and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(i) *Integrated digital payment services*

Domestic payment services

The Group provides domestic payment services to help customer accept, process and settle payment transactions across point-of-sale (“POS”) terminals, internet payment and mobile payment scenarios. Service revenue is recognized for each payment transaction handled by the Group at an amount calculated based on the total payment value made by the consumers and the respective applicable service fee rates contractually agreed between the Group and the relevant merchant.

Cross-border digital payment services

The Group offer cross-border digital payment services to both cross-border e-commerce platforms and merchants engaged in cross-border businesses.

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The Group assessed that revenue from integrated digital payment services rendered to the customer is recognized at a point in time, upon completion of the payment services for each transaction. The service fee rates are determined based on the agreements entered into between the Group and the customer. Service revenue is recognized for each payment transaction handled by the Group at an amount calculated based on the total payment value made by the consumers and the respective applicable service fee rate, net of processing fees levied by various third party payment networks.

Principal vs agent – Integrated digital payment services

The Group considered that it acts as a principal in offering integrated digital payment services to the merchants as the Group (1) is the primary obligor in the arrangement; (2) has latitude in establishing the selling price, i.e. service fee rate; and (3) has involvement in the determination of services specifications; and (4) has discretion in the selection of channels to assist its payment services and to maintain relationships with its merchants and to handle their enquiries about the services. The Group shares its service revenue with channels in accordance with the service agreements entered into with them and the related commissions are recognized as its cost of revenue of the payment services.

(ii) Digital commerce-enabling solutions

The Group provides a wide variety of digital commerce-enabling solutions, including (i) merchant software as a service (“SaaS”) solutions; (ii) digital marketing services; (iii) account operation services; and (iv) other solutions including payment as a service (“PaaS”).

Merchant SaaS solutions

The Group provides proprietary SaaS solutions for the merchants to empower their daily operation such as smart cashier system, supply chain management system, membership management system and restaurant ordering system. The Group distributes these software to customers at a contracted price. Revenue is recognized at a point-in time when the system usage right and substantially all of the remaining benefits from the use of SaaS solutions have transferred to the customers.

Digital marketing services

The fee of digital marketing services is mainly calculated based on the CPM (cost per mille) or CPS (cost per sale) models, where advertising is paid on the basis of the increased sale amount or exposure as a result of the advertising. Revenue under such arrangement is recognized at a point in time based on fulfillment of the aforementioned criteria.

Account operation services

The Group offers an account operation system providing encompass account opening, billing, account inquiries services, technical support, training and consultation services. The Group charges a combination of fixed annual subscription fee, system access fee and transaction fees based on the specific usage scenarios of the customers. The revenue from fixed annual subscription fee and system access fee are recognized over time and the revenue from transaction fees based on the specific usage scenarios of the customers is recognized at a point in time.

PaaS

The Group provides software and payment technology solutions for banks and other financial institutions to develop and build tailored payment software and systems according to the specific needs of the financial institution. The Group charges customers a one-time project fee for each engagement and ongoing subscription and system maintenance fees. Revenue from one-time project fee is recognized at point in time when the system has been accepted by and transferred to the customers, and system maintenance fee is recognized over the services period provided.

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Principal vs agent – Digital commerce-enabling solutions

The Group considered that it acts as a principal in digital commerce-enabling solutions as the Group (1) is the direct service provider; (2) has latitude in establishing the selling price, i.e. service fee rate; and (3) has involvement in the determination of services specifications; and (4) associates with the risk that if the services do not meet expectations or if issues arise during service delivery.

(iii) Revenue from other sources

Rental income is recognized on a time proportion basis over the lease terms.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(iv) Contract liabilities

A contract liability represents the Group’s obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(v) Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

4.6 Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs such as repairs and maintenance are recognized as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of reporting period. The useful lives are as follows:

Buildings	20 years
Furniture, fixtures and office equipment	3 years
Computer and electronic equipment	3 – 10 years
Vehicles	5 years

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The directors of the Company determined that the value of the land and the buildings of the Company’s office cannot be allocated reliably between these two elements at the inception date, and the entire asset is classified as a finance lease, being buildings under property, plant and equipment and depreciated over an useful life of 20 years.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset’s estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognized in profit or loss on disposal.

4.7 Investment properties

Investment properties are properties held to earn rentals. Investment properties are initially measured at cost and are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

The above investment properties are depreciated over their estimated useful lives of 20 years using the straight-line method. Depreciation is recognized over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

4.8 Intangible assets and research and development expenses

Intangible assets

Intangible assets acquired separately are initially recognized at cost. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses.

The amortization expense is recognized in profit or loss. The useful lives and amortization method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortization is provided on a straight-line basis over their useful lives as follows:

Software	10 years
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Intangible assets are tested for impairment as described in Note 4.11.

Research and development expenses

Costs associated with research activities are expensed in profit or loss as they occur. Costs that directly attributable to the development activities are recognized as intangible assets provided they meet the following recognition requirements:

- (i) demonstration of technical feasibilities of the prospective product internal use or sale;
- (ii) sufficient technical, financial and other resources are available for completion;
- (iii) there is intention to complete the intangible asset and use or sell it;
- (iv) the Group’s ability to use or sell the intangible asset is demonstrated;
- (v) the intangible asset will generate probable economic benefits through internal use or sale; and

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- (vi) the expenditure attributable to the intangible asset can be reliably measured.

Capitalized development costs are amortized over the periods the Group expects to benefit from using or selling the products developed.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are expensed as incurred.

4.9 Leases

All leases are required to be capitalized in the consolidated statements of financial position/statements of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalize (i) leases for which the underlying asset is of low-value; and/or (ii) leases which are short-term leases. The Group has elected not to recognize right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

(a) *Accounting as a lessee*

Right-of-use asset

The right-of-use asset is recognized at cost and comprises: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term on a straight-line basis. The right-of-use assets are presented within the same line item of property, plant and equipment.

Lease liability

The lease liability is recognized at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the lessee’s incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

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(b) Accounting as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in consolidated statements of profit or loss and other comprehensive income due to its operating nature.

4.10 Inventories

Inventories are referred to purchased hardware and components and contract fulfillment cost. Inventories are stated at the lower of cost and net realizable value. Cost is determined on weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

4.11 Impairment of assets (other than financial assets)

At the end of reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognized no longer exists or may have decreased:

- Property, plant and equipment;
- Right-of-use assets;
- Investments in subsidiaries, associates and joint venture;
- Goodwill; and
- Intangible assets.

Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the impairment loss is treated as a revaluation decrease under that IFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. In respect of assets other than goodwill, reversal of an impairment loss is recognized in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that IFRS. An impairment loss in respect of goodwill is not reversed.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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4.12 Cash and cash equivalent and customer deposits

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include deposits held at call with banks, cash at other third-party online payment platforms, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Customer accounts mainly represent customer funds actually collected and awaiting disbursement as requested.

4.13 Financial instruments

(a) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss (“FVTPL”) are recognized immediately in profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets at amortized cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain on derecognition is recognized in profit or loss.

Fair value through other comprehensive income (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognized in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognized in profit or loss.

(b) Impairment loss on financial assets

The Group recognizes loss allowances for expected credit loss (“ECL”) on trade receivables and financial assets measured at amortized cost. The ECLs are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measures loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix with appropriate groupings or individually assessed for credit impaired debtors. Provision matrix are based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realizing security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- a breach of contract, such as a default or past due event.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in “FVOCI reserve”.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(c) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortized cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortized cost

Financial liabilities at amortized cost including trade payables and other payables and accruals are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost, using the effective interest method. The related interest expense is recognized in profit or loss.

Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Borrowings

Borrowings are recognized initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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Lease liabilities

Lease liabilities are measured at present value less lease repayments (see Note 4.9).

Financial guarantee contracts

After initial recognition, the Group as an issuer of such a contract shall subsequently measure them at the higher of:

- i. the amount of the expected credit loss allowance determined in accordance with IFRS 9 and
- ii. the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

(d) Effective interest method

Effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(e) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(f) Derecognition

The Group derecognizes a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.14 Foreign currency translation

Transactions entered into by the group entities in currencies other than their functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized in other comprehensive income, in which case, the exchange differences are also recognized in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into RMB at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity as translation reserve. Exchange differences recognized in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

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4.15 Income tax

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realized or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognized in profit or loss, except when they relate to items recognized in other comprehensive income or directly in equity in which case the taxes are also recognized in other comprehensive income or when they relate to items recognized directly in equity in which case the taxes are also recognized directly in equity.

4.16 Employee benefits

(a) *Defined contribution retirement plan*

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government (the “**Scheme**”), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(b) *Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognized in the period when the employees render the related service.

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(c) Termination benefits

Termination benefits are recognized on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

4.17 Share-based payments

A shareholder of the Company provides share-based compensation benefits to employees via its restricted share incentive schemes, which are managed under a trust. Information relating to the schemes is set out in Note 33.

The fair value of restricted shares granted to employees is recognized as an employee cost with a corresponding increase in share-based payment reserve within equity. The fair value of restricted shares is measured at grant date using the market price of the Company’s shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the restricted shares, the total estimated fair value of the restricted shares is spread over the vesting period, taking into account the probability that the restricted shares will vest.

At the end of each reporting period, the Group revises its estimate of the number of award shares that are expected to vest. The impact of the revision of original estimates, if any, is recognized in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of restricted shares that vest (with a corresponding adjustment to share-based payment reserve within equity). The equity amount related to restricted shares is recognized in share-based payment reserve until the restricted shares become vested and is settled against employee share trusts.

4.18 Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.19 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to the Group if:

- (a) A person or a close member of that person’s family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company’s parent.

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- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Company’s parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person’s children and spouse or domestic partner;
- (ii) children of that person’s spouse or domestic partner; and
- (iii) dependents of that person or that person’s spouse or domestic partner.

4.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors of the Company for their decisions about resources allocation to the Group’s business components and for their review of these components’ performance. The business components in the internal financial information reported to the directors of the Company are determined following the Group’s service lines.

For the purposes of assessing segment performance and allocating resources between segments, the directors of the Company assess segment profit or loss by gross profit or loss.

For the purpose of presenting geographical location of the Group’s revenue from external customers and the Group’s non-current assets, country of domicile is determined by reference to the country where the majority of Group’s subsidiaries operate.

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5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgments and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

Key source of estimate uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment, investment properties, right-of-use assets and intangible assets

Property, plant and equipment, investment properties, right-of-use assets and intangible assets are stated at cost less accumulated depreciation/amortization and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

Income taxes and deferred taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group recognizes deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred tax assets mainly involved management’s judgments and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the Track Record Period, deferred tax assets have not been recognized in respect of these accumulated tax losses and other deductible temporary differences based on the fact that the future taxable profits would be uncertain.

Fair value measurement of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group engaged independent valuer to determine the inputs used in the fair value measurements. For details of the key assumptions used and the impact of changes to these assumptions see Note 44.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

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Judgments in determining the performance obligations for revenue recognition

In making their judgments, the directors consider the detailed criteria for recognition of revenue set out in IFRS 15. In determining performance obligations, the directors consider whether the customer benefits from each service on its own and whether it is distinct in the context of the contract. Specifically, when concluding a contract has multiple performance obligations, the directors consider that the individual performance obligation is regularly sold separately and the service is separately identifiable from other promises within the contract.

Judgements in determining if entity is accounted for as financial asset at FVOCI

The Group has an investment, in which it holds 20% of the entity’s equity interests or voting right. The directors consider that the Group has no significant influence, joint control nor control over the entity based on the fact that the Group does not participate in any operating and financial policies of the entity and exercise its influence on the operating and financial policies in the board of directors of the entity. The Group therefore accounted for these entities as financial asset at FVOCI.

Judgements in determining if entity is accounted for as associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not to control or to have joint control. Despite that the Group holds less than 20% of the voting power of the Wuhan Lichu (note 22), such significant influence can be clearly demonstrated by the power of the Group to appoint a director in this investee and participates in all significant financial and operating decisions, the directors consider that Wuhan Lichu is an associate of the Company. To determinate whether the Group has significant influence over the investee involves significant judgements.

6. SEGMENT INFORMATION

(a) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the directors of the Company, being chief operating decision maker (“CODM”), for their decisions about resources allocation to the Group’s business components and for their review of these components’ performance.

The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors of the Company.

During the Track Record Period, the Group is principally engaged in the provision of integrated digital payment services and digital commerce-enabling solutions. Information reported to the directors of the Company for the purpose of resource allocation and performance assessment focuses on the operating results of the business. Therefore, the CODM of the Company regards that there is only one operating segment which is used to make strategic decisions. No other discrete financial information is provided other than the Group’s results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographical information are presented.

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(b) Geographical information

The Group is domiciled in PRC, which is the location of the Group’s principal office. The Group’s revenues from external customers are divided into the following geographical areas:

	Year ended December 31,		
	2022	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
The PRC	1,126,452	1,490,650	1,587,685
The ROK.	7,866	1,842	2,504
Others	8,101	13,173	44,067
	<u>1,142,419</u>	<u>1,505,665</u>	<u>1,634,256</u>

The Group’s revenue information above is based on the services requested by the customers. The geographical location of non-current assets is based on the physical location of the assets. As of December 31, 2022, 2023 and 2024, almost all of the Group’s non-current assets were located in PRC.

(c) Information about major customers

No revenue from services provided to a single customer accounted for 10% or more of total revenue of the Group during the Track Record Period.

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7. REVENUE

Revenue mainly represents the revenue from integrated digital payment services and digital commerce-enabling solutions.

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15:			
Revenue from integrated digital payment services			
– Domestic payment services			
– Acquiring services	931,525	1,289,983	1,342,145
– Credit card repayment services	41,391	28,934	27,187
– Fund payment services	3,494	3,684	2,238
– Cross-border payment services	105,447	91,443	139,943
	1,081,857	1,414,044	1,511,513
Revenue from digital commerce-enabling solutions			
– Merchant software as a service (“SaaS”) solutions	2,611	17,567	26,863
– Digital marketing services and others value-added services			
– Digital marketing services	37,346	33,176	43,410
– Account operation services	1,432	16,843	33,861
– Other solutions	7,148	11,976	10,389
	48,537	79,562	114,523
	1,130,394	1,493,606	1,626,036
Revenue from other sources:			
Rental income (<i>Note 15</i>)	12,025	12,059	8,220
	12,025	12,059	8,220
Total	1,142,419	1,505,665	1,634,256
	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Timing of revenue recognition under IFRS 15			
At a point in time	1,129,311	1,490,302	1,619,972
Over time	1,083	3,304	6,064
	1,130,394	1,493,606	1,626,036

All contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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The following table provides information about trade receivables and contract liabilities from contracts with customers.

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade receivables (<i>Note 26</i>)	70,780	63,047	54,693
Contract liabilities (<i>Note 31</i>)	(4,947)	(8,040)	(10,907)
	<u> </u>	<u> </u>	<u> </u>

8. OTHER INCOME AND OTHER GAINS OR LOSSES, NET

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Bank interest income	14,325	15,531	17,061
Government grants (<i>note a</i>)	2,856	3,913	8,390
Gain on disposal of property, plant and equipment	196	55	2
Fair value gain/(loss) of financial assets at FVTPL	(2,377)	365	(1,256)
Loss on deregistration of a subsidiary	(89)	–	–
Exchange loss	(1,587)	(198)	(736)
Input value-added tax surplus deduction (<i>note b</i>)	5,335	2,799	–
Expected credit loss provision on contingent guarantees (<i>note c</i>)	–	–	(50)
Repayment of input value-added tax surplus deduction (<i>note d</i>)	–	–	(31,824)
Others	(1,881)	(1,510)	(304)
	<u> </u>	<u> </u>	<u> </u>
	<u>16,778</u>	<u>20,955</u>	<u>(8,717)</u>

Note:

- (a) Government grants represented the financial support received from local government as an incentive for business development and there are no unfulfilled conditions attached to the government grant.
- (b) Input value-added tax surplus deduction was recognized in profit or loss due to the value-added tax reform. The implementation period was further extended to December 31, 2022 according to announcement No.11 by General Department of Taxation in 2022. In accordance with announcement No.1 by General Department of Taxation in 2023, the Group is eligible for additional deduction by 5% of the current period creditable value-added tax input from January 1, 2023 to December 31, 2023.

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- (c) In April 2024, Shanghai Qingyi Investment Center (Limited Partnership), and JIANG Weiqian (the “**Relevant Investors**”) agreed to transfer a total of 22,211,963 Shares, being the entire interest they held in the Company, to Fuiou Group (the “**Divestment**”). The consideration (“**Consideration**”) was determined after commercial negotiation between Fuiou Group and each of the Relevant Investors, and calculated with reference to the investment cost of such investors and a return of 10% on an annual basis, deducting the dividends paid by the Company to such investors during the agreed period. The Company agreed to guarantee the payment obligations of Fuiou Group in the event that Fuiou Group fails to fully settle the relevant consideration by the agreed time. As the transaction was directed by Fuiou Group, the controlling shareholder of the Company, the Group accounted for the fair value of the financial guarantees as a distribution and provision of contingent guarantee (Note 30). Expected credit loss provision on contingent guarantees represented the expected credit loss provided for the contingent guarantees of the Company as at December 31, 2024.
- (d) Due to the revocation of certain PRC regulations in July 2024 (“**2024 Revocation**”), which caused a change in the interpretation of enterprises’ eligibility to certain tax deduction policies that used to apply to enterprises across the payment industry, as a tax rectification operation, all local tax bureaus require companies within their jurisdictions to self-inspect and repay taxes. As the result of additional information provided by the local tax bureau during the self-inspection, the Company determined in July 2024 that it became ineligible for certain tax credit (“**Tax Benefit**”) approvals it received in prior years in accordance with value-added tax Reformation Article No.39, leading to its repayment of the relevant tax deductions from April 2019 to December 2023, along with associated late fees totalling approximately RMB31.8 million (“**Tax Repayment**”) to the Shanghai Pudong New Area Tax Bureau. As advised by the Company’s PRC legal advisor, the repayment and late fees do not constitute administrative penalties. The management of the Company considered that there was no voluntary change in accounting policies, and with reference to the fact that the eligibility for the Tax Benefit had already been confirmed by the tax bureau in the respective financial reporting period prior to the 2024 Revocation, there was no error in the financial statements in respect of input value-added tax surplus deduction.

The Company considered such revocation of certain PRC regulations and tax rectification operation provide new information on the requirement of application as the Tax Bureau approved the Company’s application before and the Company was not in violation of any PRC tax laws and regulations during the Track Record Period. Therefore, the Company treated it as non-adjusting events since Tax Bureau provides new information about a condition that did not exist as at December 31, 2022 and 2023. In July 2024, the Group has settled the Tax Repayment.

9. FINANCE INCOME/(COSTS), NET

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Finance income:			
Interest income on time deposits with maturity			
over three months	1,784	1,486	1,651
Interest income on financial assets at FVTPL	1,169	617	-
	<u>2,953</u>	<u>2,103</u>	<u>1,651</u>
Finance costs:			
Interest expense on bank and other borrowings	(7,273)	(6,477)	(7,090)
Interest expense on lease liabilities	(222)	(232)	(192)
	<u>(7,495)</u>	<u>(6,709)</u>	<u>(7,282)</u>
Finance cost, net	<u>(4,542)</u>	<u>(4,606)</u>	<u>(5,631)</u>

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10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting) the followings:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Auditors’ remuneration	696	559	2,369
Depreciation of investment properties (<i>Note 15</i>)	5,614	5,643	5,783
Depreciation of property, plant and equipment (<i>Note 16</i>)	30,619	29,192	27,479
Amortization of intangible assets (<i>Note 19</i>)	537	513	392
Depreciation of right-of-use assets (<i>Note 20(a)</i>)	5,095	4,652	4,748
Impairment loss on prepayment for investment in a joint venture	–	–	2,408
Provision for impairment of obsolete inventories	75	54	(18)
Professional fee (included in administrative and other expense)	9,177	13,223	11,997
Short-term lease expenses	211	51	46
Research and development expenses	53,793	56,880	60,698
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Employee costs (including directors’ emoluments (<i>Note 14</i>)):			
– Salaries and wages	138,608	167,279	169,176
– Equity-settled share-based payment (<i>Note 33</i>)	10,183	14,826	6,765
– Retirement scheme contributions	15,512	16,190	18,114
	164,303	198,295	194,055
(Reversal of impairment)/impairment loss on financial assets, net (<i>Note 43(b)</i>):			
– Trade receivables	(2,734)	(1,003)	(61)
– Deposits and other receivables	3,116	96	(612)
	382	(907)	(673)

11. INCOME TAX EXPENSE

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Current income tax	10,692	9,587	8,985
Deferred tax (<i>Note 24</i>)	(203)	2,650	(210)
	10,489	12,237	8,775

The Group is subject to income tax on an entity basis on assessable profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operated.

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PRC corporate income tax

The Group’s subsidiaries established and operated in the PRC are subject to the EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law (“EIT Law”). Pursuant to the EIT Law, the Group’s subsidiaries established in the PRC are generally subject to EIT at the statutory rate of 25% during the Track Record Period, except for: (a) the Company which is registered as a High and New-Tech enterprises pursuant to the PRC tax resolutions and entitled to a preferential tax rate of 15%; (b) certain subsidiaries obtain the tax deduction in accordance with income tax preferential policy for small and micro enterprises and individual business, pursuant to the PRC tax regulations and entitled to a preferential tax rate of 20% for the years ended December 31, 2022, 2023 and 2024.

Hong Kong profits tax

Under the current Hong Kong Inland Revenue Ordinance, the Company’s subsidiaries incorporated in Hong Kong are subject to a two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

Singapore and United Kingdom corporate income tax

Under the current laws of Singapore and the United Kingdom, the entities incorporated in Singapore and the United Kingdom are not subject to tax on income or capital gain.

Other countries

Corporate income tax in other jurisdictions including the United States and South Korea, etc, had been calculated on the estimated assessable profit for the year at the respective rates prevailing in the relevant jurisdictions, ranging from 15% to 21%.

The income tax expense for the Track Record Period can be reconciled to the profit/(loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Profit before income tax	81,654	105,221	93,100
Tax calculated at applicable tax rate	12,248	15,783	13,965
Effect of different tax rates of subsidiaries			
operating outside PRC	1,177	80	1,055
Preferential income tax benefits applicable to			
subsidiaries in the PRC	(146)	(148)	(57)
Income not subject to income tax purpose	–	(501)	(681)
Preferential tax deduction for research and			
development expenses	(5,450)	(6,919)	(8,396)
Tax effect of expenses not deductible for tax			
purpose	2,004	3,016	3,226
Tax effect of deductible temporary difference			
and deductible tax loss for which no deferred			
tax asset was recognized	16	(6)	96
Recognition of previously unrecognized tax losses	–	–	(1,199)
Others	694	940	786
Tax effect of tax exemptions and incentives			
granted	(54)	(8)	(20)
Income tax expense	10,489	12,237	8,775

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12. DIVIDENDS

The interim dividends were approved and paid during the Track Record Period are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interim dividend declared and paid	25,000	91,631	39,030
Interim dividend declared but not yet paid (Note 30).	–	28,369	970
	<u>25,000</u>	<u>120,000</u>	<u>40,000</u>

Note: Part of the dividend was approved and paid during the same year. The outstanding balances were classified as dividend payables under other payables and accruals as at the end of each of the Track Record Period (Note 30).

13. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share during the Track Record Period is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Net profit attributable to the owners of the Company	71,535	93,165	84,065
Weighted average number of ordinary shares outstanding for basic earnings per share ('000).	360,000	360,000	360,000
Basic earnings per share (RMB per share)	<u>0.20</u>	<u>0.26</u>	<u>0.23</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the Track Record Period, there were no dilutive potential ordinary shares, and therefore, diluted earnings per share is the same as the basic earnings per share.

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14. DIRECTORS’ EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors’ emoluments

Details of directors’ remuneration during the Track Record Period are as follows:

	Fees	Allowance and other benefits	Discretionary bonus	Retirement Scheme contributions	Equity-settled share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended December 31, 2022						
<i>Executive directors</i>						
Miss. Zhang Yiqun	518	95	90	62	1,006	1,771
Mr. Wu Wei (x).	540	95	440	62	1,580	2,717
Mr. Chen Jian (viii).	–	–	–	–	–	–
Mr. Fu Xiaobing (viii).	–	–	–	–	–	–
	<u>1,058</u>	<u>190</u>	<u>530</u>	<u>124</u>	<u>2,586</u>	<u>4,488</u>
<i>Independent non-executive directors</i>						
Mr. Wang Guanrong	150	–	–	–	–	150
Mr. Chen Hanwen	150	–	–	–	–	150
Mr. Chen Jin	150	–	–	–	–	150
	<u>450</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>450</u>
	Fees	Allowance and other benefits	Discretionary bonus	Retirement Scheme contributions	Equity-settled share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended December 31, 2023						
<i>Executive directors</i>						
Miss. Zhang Yiqun	540	301	310	68	1,430	2,649
Mr. Wu Wei (x).	534	271	356	68	2,246	3,475
Mr. Chen Jian (viii).	–	–	–	–	–	–
Mr. Fu Xiaobing (viii).	–	–	–	–	–	–
	<u>1,074</u>	<u>572</u>	<u>666</u>	<u>136</u>	<u>3,676</u>	<u>6,124</u>
<i>Independent non-executive directors</i>						
Mr. Wang Guanrong (i).	75	–	–	–	–	75
Mr. Chen Hanwen (ii).	25	–	–	–	–	25
Mr. Wang Hongwei (iii).	75	–	–	–	–	75
Mr. Chen Shengqun (iv).	75	–	–	–	–	75
Mr. Chen Jin	150	–	–	–	–	150
	<u>400</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>400</u>

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	Fees	Allowance and other benefits	Discretionary bonus	Retirement Scheme contributions	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2024						
<i>Executive directors</i>						
Miss. Zhang Yiqun	583	396	328	71	715	2,093
Mr. Wu Wei (x)	254	152	24	35	–	465
Mr. Chen Jian (viii)	–	–	–	–	–	–
Mr. Fu Xiaobing (viii)	814	417	304	53	1,358	2,946
Mr. Liu Baichuan (ix)	417	139	169	71	52	848
	<u>2,068</u>	<u>1,104</u>	<u>825</u>	<u>230</u>	<u>2,125</u>	<u>6,352</u>
<i>Independent non-executive directors</i>						
Mr. Wang Hongwei (iii)	150	–	–	–	–	150
Mr. Chen Shengqun (iv)	150	–	–	–	–	150
Mr. Chen Jin	150	–	–	–	–	150
	<u>450</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>450</u>

Notes:

- (i) Mr. Wang Guangrong resigned as an independent non-executive director of the Company on June 28, 2023.
- (ii) Mr. Chen Hanwen resigned as an independent non-executive director of the Company on June 28, 2023.
- (iii) Mr. Wang Hongwei was appointed as an independent non-executive director of the Company on June 28, 2023.
- (iv) Mr. Chen Shengqun was appointed as an independent non-executive director of the Company on June 28, 2023.
- (v) No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss or termination of their office during the Track Record Period.
- (vi) The executive directors’ emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company.
- (vii) The independent non-executive directors’ emoluments shown above were for their services as directors of the Company.
- (viii) Mr. Chen Jian and Mr. Fu Xiaobing’s emoluments were borne by the Company’s immediate holding company. The Company paid Mr. Fu Xiaobing’s emoluments from April 18, 2024.
- (ix) Mr. Liu Baichuan was appointed as an executive director of the Company on June 27, 2024.
- (x) Mr. Wu Wei resigned as an executive director of the Company on June 27, 2024.

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(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, included of two, two and two directors of the Group for the years ended December 31, 2022, 2023 and 2024, whose emoluments are disclosed above. The emoluments of the remaining 3, 3 and 3 individuals for each of the years ended December 31, 2022, 2023 and 2024 respectively, whose emoluments are analyzed below:

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries	1,557	1,454	1,583
Allowance and other benefits	449	741	678
Share based payment	1,562	3,846	4,662
Discretionary bonuses	1,755	1,912	2,105
Year-end bonuses	260	828	867
	<u>5,583</u>	<u>8,781</u>	<u>9,895</u>

The number of the highest paid non-director individuals fell within the following emolument band:

	Year ended December 31,		
	2022	2023	2024
	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>
Nil to HKD1,000,000	–	–	–
HKD1,000,001 – HKD1,500,000.	1	–	1
HKD1,500,001 – HKD2,000,000.	1	1	–
HKD2,000,001 – HKD2,500,000.	–	–	–
HKD2,500,001 – HKD3,000,000.	1	–	1
HKD3,000,001 – HKD3,500,000.	–	1	–
HKD3,500,001 – HKD4,000,000.	–	1	–
HKD4,000,001 – HKD4,500,000.	–	–	–
HKD4,500,001 – HKD5,000,000.	–	–	–
HKD5,000,001 – HKD5,500,000.	–	–	–
HKD5,500,001 – HKD6,000,000.	–	–	1
	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to any director or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any emolument during the Track Record Period.

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15. INVESTMENT PROPERTIES

The Group and the Company

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Opening net book value	105,783	100,169	97,385
Transfer from property, plant and equipment (<i>Note 16</i>).	–	2,859	–
Depreciation of investment properties	(5,614)	(5,643)	(5,783)
Closing net book value	100,169	97,385	91,602
At end of the year			
Cost.	111,398	114,733	114,733
Accumulated depreciation	(11,229)	(17,348)	(23,131)
Net book value	100,169	97,385	91,602

(i) Amounts recognized in profit or loss for investment properties

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Rental income from investment properties.	12,025	12,059	8,220
Direct operating expenses arising from investment properties that generate rental income	(5,614)	(5,643)	(5,783)
	6,411	6,416	2,437

As at December 31, 2022, 2023 and 2024, the Group had no un-provided contractual obligations for future repairs and maintenance.

(ii) Non-current assets pledged as security

The Group’s investment properties with net book value of approximately RMB100,169,000, RMB97,385,000 and RMB91,602,000 as at December 31, 2022, 2023 and 2024, respectively, were pledged for the Group’s bank borrowings (Note 32).

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(iii) Valuations for investment properties

The fair value of the Group’s investment properties was approximately RMB113,200,000, RMB106,100,000 and RMB102,600,000 as at December 31, 2022, 2023 and 2024, respectively, as determined by the directors of the Company with reference to the valuation performed by Jones Lang LaSalle Incorporated, an independent qualified professional valuer. Valuation was performed using the income approach by taking into account the rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair values at an appropriate capitalization rate. The higher unit rent of comparable office, the higher fair value of the investment properties. The fair value measurement of the investment properties is categorized within level 3 of the fair value hierarchy.

	As of December 31,		
	2022	2023	2024
Monthly market rental rate (RMB/sq. meter)	124.35	120.00	115.50
Capitalization rate	5.00%	5.50%	5.50%

The significant increase/(decrease) in the capitalization rate would result in a significant (decrease)/increase in fair value of investment property. The fair value measurement of the investment properties is categorized within level 3 of the fair value hierarchy.

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16. PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings	Furniture, fixture and office equipment	Computer and electronic equipment	Vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At January 1, 2022	478,235	20,728	48,654	2,358	549,975
Additions	–	4,196	1,913	–	6,109
Disposals	–	(67)	(567)	–	(634)
Exchange adjustment	–	–	63	–	63
At December 31, 2022 and January 1, 2023	478,235	24,857	50,063	2,358	555,513
Additions	–	588	620	–	1,208
Transfer to investment properties (<i>Note 15</i>)	(3,335)	–	–	–	(3,335)
Disposals	–	(88)	(72)	–	(160)
Exchange adjustment	–	–	(4)	–	(4)
At December 31, 2023 and January 1, 2024	474,900	25,357	50,607	2,358	553,222
Additions	–	314	1,006	–	1,320
Disposals	–	(104)	(7)	–	(111)
Exchange adjustment	–	–	(392)	–	(392)
At December 31, 2024	474,900	25,567	51,214	2,358	554,039
Accumulated depreciation:					
At January 1, 2022	23,912	13,532	45,544	2,047	85,035
Charge for the year	24,103	4,772	1,515	229	30,619
Disposals	–	(26)	(175)	–	(201)
Exchange adjustment	–	–	18	–	18
At December 31, 2022 and January 1, 2023	48,015	18,278	46,902	2,276	115,471
Charge for the year	24,075	2,871	2,164	82	29,192
Transfer to investment properties (<i>Note 15</i>)	(476)	–	–	–	(476)
Disposals	–	(31)	(38)	–	(69)
Exchange adjustment	–	–	(2)	–	(2)
At December 31, 2023 and January 1, 2024	71,614	21,118	49,026	2,358	144,116
Charge for the year	23,935	2,950	594	–	27,479
Disposals	–	(43)	(5)	–	(48)
Exchange adjustment	–	–	(185)	–	(185)
At December 31, 2024	95,549	24,025	49,430	2,358	171,362
Net carrying amount:					
At December 31, 2022	430,220	6,579	3,161	82	440,042
At December 31, 2023	403,286	4,239	1,581	–	409,106
At December 31, 2024	379,351	1,542	1,784	–	382,677

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The Company	Buildings	Furniture, fixture and office equipment	Computer and electronic equipment	Vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At January 1, 2022	478,235	19,535	46,634	2,358	546,762
Additions	–	3,457	1,747	–	5,204
Disposals.	–	(61)	(567)	–	(628)
At December 31, 2022 and January 1, 2023. . .	478,235	22,931	47,814	2,358	551,338
Additions	–	572	226	–	798
Transfer to investment properties	(3,335)	–	–	–	(3,335)
Disposals.	–	(57)	(41)	–	(98)
At December 31, 2023 and January 1, 2024. . .	474,900	23,446	47,999	2,358	548,703
Additions	–	345	891	–	1,236
Disposals.	–	(94)	(7)	–	(101)
At December 31, 2024	474,900	23,697	48,883	2,358	549,838
Accumulated depreciation:					
At January 1, 2022	23,912	12,343	45,210	2,047	83,512
Charge for the year	24,103	4,304	925	229	29,561
Disposals.	–	(24)	(175)	–	(199)
At December 31, 2022 and January 1, 2023. . .	48,015	16,623	45,960	2,276	112,874
Charge for the year	24,075	2,868	1,370	82	28,395
Transfer to investment properties	(476)	–	–	–	(476)
Disposals.	–	(11)	(14)	–	(25)
At December 31, 2023 and January 1, 2024. . .	71,614	19,480	47,316	2,358	140,768
Charge for the year	23,935	2,775	253	–	26,963
Disposals.	–	(36)	(6)	–	(42)
At December 31, 2024	95,549	22,219	47,563	2,358	167,689
Net carrying amount:					
At December 31, 2022.	430,220	6,308	1,854	82	438,464
At December 31, 2023.	403,286	3,966	683	–	407,935
At December 31, 2024	379,351	1,478	1,320	–	382,149

- (i) The Group’s buildings with net book value of approximately RMB430,220,000, RMB403,286,000 and RMB379,351,000 as at December 31, 2022, 2023 and 2024, respectively, were pledged for the Group’s bank borrowings (Note 32).

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17. INVESTMENTS IN SUBSIDIARIES

The Company

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost.	59,871	110,804	117,129

The particulars of the directly and indirectly held subsidiaries of the Company are set out in Note 1.

18. GOODWILL

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cost:			
At January 1	8,068	8,068	8,068
At December 31	8,068	8,068	8,068
Accumulated impairment losses:			
At January 1	(8,068)	(8,068)	(8,068)
At December 31	(8,068)	(8,068)	(8,068)
Carrying amount:			
At December 31	—	—	—

In view of the slowdown in performance on FK Co., Ltd’s industry market throughout the latest market research analysis, the goodwill of approximately RMB8,068,000 for CGU-FK Co., Ltd was impaired for the year ended 31 December 2021.

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19. INTANGIBLE ASSETS

The Group

	Software
	<i>RMB’000</i>
Cost:	
At January 1, 2022	5,180
Additions	26
At December 31, 2022 and January 1, 2023.	5,206
Additions	377
Exchange adjustment.	(1)
At December 31, 2023 and January 1, 2024.	5,582
Additions	161
Exchange adjustment.	(92)
At December 31, 2024	5,651
Accumulated amortization:	
At January 1, 2022	1,477
Charge for the year	537
At December 31, 2022 and January 1, 2023.	2,014
Charge for the year	513
Exchange adjustment.	(1)
At December 31, 2023 and January 1, 2024.	2,526
Charge for the year	392
Exchange adjustment.	(29)
At December 31, 2024	2,889
Net carrying value:	
At December 31, 2022.	3,192
At December 31, 2023.	3,056
At December 31, 2024	2,762

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The Company

	Software
	<i>RMB’000</i>
Cost:	
At December 31, 2022 and January 1, 2023.	3,008
Additions	377
At December 31, 2023 and January 1, 2024.	3,385
Additions	161
At December 31, 2024	3,546
Accumulated amortization:	
At January 1, 2022	1,314
Charge for the year	301
At December 31, 2022 and January 1, 2023.	1,615
Charge for the year	278
At December 31, 2023 and January 1, 2024.	1,893
Charge for the year	191
At December 31, 2024	2,084
Net carrying value:	
At December 31, 2022.	1,393
At December 31, 2023.	1,492
At December 31, 2024	1,462

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20. LEASES

(a) Right-of-use assets

As at December 31, 2022, 2023 and 2024, the Group leases 34, 32 and 33 properties in the districts from which it operates. The leases have initial period of non-cancellable leases between 2 and 3 years as at December 31, 2022, 2023 and 2024, respectively.

The carrying amounts of the Group’s right-of-use assets and the movements during the year are as follows:

The Group

	Leased properties
	<i>RMB’000</i>
At January 1, 2022	5,632
Additions	3,814
Depreciation	(5,095)
Exchange realignments	8
At December 31, 2022 and January 1, 2023	4,359
Additions	6,575
Lease termination	(14)
Depreciation	(4,652)
Exchange realignments	(7)
At December 31, 2023 and January 1, 2024	6,261
Additions	3,142
Depreciation	(4,748)
Exchange realignments	(14)
At December 31, 2024	4,641

The Company

	Leased buildings
	<i>RMB’000</i>
At January 1, 2022	5,069
Additions	3,621
Depreciation	(4,648)
At December 31, 2022 and January 1, 2023	4,042
Additions	5,926
Depreciation	(4,143)
At December 31, 2023 and January 1, 2024	5,825
Additions	2,655
Depreciation	(4,212)
At December 31, 2024	4,268

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(b) Lease liabilities

The Group lease properties to operate its business. These leases are typically made for fixed terms of 2 years. Lease terms are negotiated on an individual basis and contain different payments and conditions. These lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

The carrying amounts of the Group’s lease liabilities and the movements during the year are as follows:

The Group

	Lease liabilities in relation to leased properties
	<i>RMB’000</i>
At January 1, 2022	4,968
Recognition of lease liabilities	3,814
Lease payments during the year	(4,965)
Interest expense during the year	222
Exchange realignments	10
At December 31, 2022 and January 1, 2023	4,049
Recognition of lease liabilities	6,575
Lease payments during the year	(5,239)
Interest expense during the year	232
Lease termination	(45)
At December 31, 2023 and January 1, 2024	5,572
Recognition of lease liabilities	3,143
Lease payments during the year	(4,905)
Interest expense during the year	192
At December 31, 2024	4,002

	As of December 31,		
	2022	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current	2,630	3,244	2,787
Non-current	1,419	2,328	1,215
	4,049	5,572	4,002

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The Company

	Lease liabilities in relation to leased buildings
	<i>RMB’000</i>
At January 1, 2022	4,391
Recognition of lease liabilities	3,620
Lease payments during the year	(4,555)
Interest expense during the year	200
At December 31, 2022 and January 1, 2023	3,656
Recognition of lease liabilities	5,927
Lease payments during the year	(4,675)
Interest expense during the year	215
At December 31, 2023 and January 1, 2024	5,123
Recognition of lease liabilities	2,655
Lease payments during the year	(4,315)
Interest expense during the year	169
At December 31, 2024	3,632

The Company

	As of December 31,		
	2022	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current	2,311	2,855	2,480
Non-current	1,345	2,268	1,152
	3,656	5,123	3,632

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The Group also lease properties with term of less than one year. These leases are short-term and the Group has elected not to recognize right-of-use assets and lease liabilities for these leases. Present value of future lease payments of the leases is analyzed as follows:

The future lease payments of the Group’s and the Company’s leases (excluding short-term leases) were scheduled to repay as follows:

The Group

	Minimum lease payments	Future interest expenses	Present value
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As of December 31, 2022			
– within 1 year.	2,718	(88)	2,630
– 1 to 2 years, inclusive.	1,352	(28)	1,324
– 3 to 5 years, inclusive.	96	(1)	95
– over 5 years	–	–	–
	<u>4,166</u>	<u>(117)</u>	<u>4,049</u>
As of December 31, 2023			
– within 1 year.	3,423	(180)	3,243
– 1 to 2 years, inclusive.	1,811	(70)	1,741
– 3 to 5 years, inclusive.	599	(11)	588
– over 5 years	–	–	–
	<u>5,833</u>	<u>(261)</u>	<u>5,572</u>
As of December 31, 2024			
– within 1 year.	2,912	(125)	2,787
– 1 to 2 years, inclusive.	1,204	(30)	1,174
– 3 to 5 years, inclusive.	41	–	41
– over 5 years	–	–	–
	<u>4,157</u>	<u>(155)</u>	<u>4,002</u>

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The Company

	Minimum lease payments	Future interest expenses	Present value
	RMB'000	RMB'000	RMB'000
As of December 31, 2022			
– within 1 year.	2,393	(82)	2,311
– 1 to 2 years, inclusive	1,281	(31)	1,250
– 3 to 5 years, inclusive	96	(1)	95
– over 5 years	–	–	–
	<u>3,770</u>	<u>(114)</u>	<u>3,656</u>
As of December 31, 2023			
– within 1 year.	3,024	(170)	2,854
– 1 to 2 years, inclusive	1,749	(69)	1,679
– 3 to 5 years, inclusive	598	(11)	588
– over 5 years	–	–	–
	<u>5,371</u>	<u>(250)</u>	<u>5,121</u>
As of December 31, 2024			
– within 1 year.	2,593	(113)	2,480
– 1 to 2 years, inclusive	1,140	(29)	1,111
– 3 to 5 years, inclusive	41	–	41
– over 5 years	–	–	–
	<u>3,774</u>	<u>(142)</u>	<u>3,632</u>

21. INTERESTS IN A JOINT VENTURE

The Group

The amounts recognized in the consolidated statements of financial position are as follows:

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Akhtar Fuiou Technologies (Private) Limited (“Akhtar Fuiou”)	4,948	1,454	–
	<u>4,948</u>	<u>1,454</u>	<u>–</u>

The share of loss recognized in the consolidated statements of profit or loss and other comprehensive income are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Akhtar Fuiou	2,229	3,613	3,842
	<u>2,229</u>	<u>3,613</u>	<u>3,842</u>

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For each of the years ended 31 December 2022, 2023 and 2024, the Group has a 40%, 40% and 40% interest in a material joint venture, Akhtar Fuiou, a separate legal entities incorporated and operating in the Pakistan. The primary activity of Akhtar Fuiou is domestic payment services.

The Group performed impairment assessment when the joint venture resulted in a loss and indicated the investment might be impaired. The Group compared the recoverable amount of the joint venture with the carrying amount of the investment in the joint venture of the Group. Based on the impairment assessment performed by the Group, the recoverable amount of investment in Akhtar Fuiou as at December 31, 2022, 2023 and 2024 was higher than the respective carrying amount of the investment, and the directors of the Company believe that there is no need for impairment provision in the carrying values of the Group’s investments in Akhtar Fuiou.

Set out below are the movement of Akhtar Fuiou for the years ended December 31, 2022 and 2023 and 2024:

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Carrying amounts at the beginning of the year	6,628	4,948	1,454
Share of net loss accounted for using the equity method	(2,229)	(3,613)	(1,446)
Exchange adjustment.	549	119	(8)
Carrying amounts at the end of the year	4,948	1,454	–

Summarised financial information of the joint venture, adjusted for any differences in accounting policies, is presented below:

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Current assets	6,100	2,773	2,811
Non-current assets.	1,804	4,811	6,907
Current liabilities	(149)	(1,129)	(3,290)
Non-current liabilities	–	–	(16,771)
Net assets/(liabilities)	7,755	6,455	(10,343)

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Revenue	–	7	364
Loss for the year	(5,573)	(9,033)	(13,464)

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22. INTERESTS IN ASSOCIATES

The Group and the Company

The amounts recognized in the consolidated statements of financial position are as follows:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Wuhan Lichu Business Service Co., Ltd (武漢利楚商務服務有限公司) (“Wuhan Lichu”)	36,139	38,036	36,650
Shanghai Fuhuitong Technology Co., Ltd. (上海富薈通科技有限公司) (“Shanghai Fuhuitong”)	1,500	1,500	–
	<u>37,639</u>	<u>39,536</u>	<u>36,650</u>

* English name is for identification only.

The share of profit/(loss) recognized in the consolidated statements of profit or loss and other comprehensive loss are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Wuhan Lichu.	215	1,897	(1,386)
Shanghai Fuhuitong.	–	–	–
	<u>215</u>	<u>1,897</u>	<u>(1,386)</u>

Set out below are the investment in associates as at December 31, 2022, 2023 and 2024:

Name of entity	Place of business/ country of establishment	% of ownership interest			Carrying amount		
					As at December 31,		
		2022	2023	2024	2022	2023	2024
		%	%	%	RMB'000	RMB'000	RMB'000
Wuhan Lichu.	The PRC	8.028	8.028	8.028	36,139	38,036	36,650
Shanghai Fuhuitong.	The PRC	30	30	–	1,500	1,500	–

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Set out below are the movement of Wuhan Lichu and Shanghai Fuhuitong for the years ended December 31, 2022, 2023 and 2024:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Carrying amounts at the beginning of the year	36,191	37,639	39,536
Additions/(Disposals)	1,500	–	(1,500)
Share of net profit accounted for using the equity method	215	1,897	(1,386)
Effect on changing in equity of associate	(267)	–	–
Carrying amounts at the end of the year	37,639	39,536	36,650

The directors considered that none of the associates individually are material to the Group. The Group’s interests in individually immaterial associates that are accounted for using the equity method:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Profit/(loss) from continuing operation	1,295	23,191	(15,988)
Post-tax profit or loss from discontinued operations	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income	1,295	23,191	(15,988)

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23. FINANCIAL ASSETS AT FVTPL/EQUITY INSTRUMENT DESIGNATED AT FVOCI

The Group

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Non-current assets			
Financial assets at FVTPL			
– Unlisted equity instruments	11,557	11,922	10,666
Equity instrument designated at FVOCI			
– Unlisted equity investments (<i>note (a) & (b)</i>)	3,275	52,570	52,578
Current assets			
Financial assets at FVTPL			
– Wealth management products (<i>note (c)</i>)	42,220	–	–

The Company

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Non-current assets			
Financial assets at FVTPL			
– Equity instruments	11,557	11,922	10,666
Equity instrument designated at FVOCI			
– Unlisted equity investments	3,275	3,090	2,260
Current assets			
Financial assets at FVTPL			
– Wealth management products	42,220	–	–

Note:

- (a) Financial assets measured at FVOCI include the Group’s strategic equity investments not held for trading and debt securities held to collect and sell. The Group has made an irrevocable election to classify the equity investments at fair value through other comprehensive income rather than through profit or loss because this is considered to be more appropriate for these strategic investments.
- (b) In 2023, Zhifu Hengtong, a wholly owned subsidiary of the Company, entered into acquisition agreements with a target entity (“**Target**”) to acquire 7.05% equity interests (the “**Shares**”) in the Target at cash consideration of US\$7 million (approximately RMB49 million) in total. On September 4, 2023, Zhifu Hengtong entered into a supplementary agreement with the Target, in which, Zhifu Hengtong reserved the right (the “**Right**”) to request the Target to repurchase the Shares at cost plus interests if the Target fail to complete the change registration procedures for the acquisition of another entity by January 31, 2025. The Right is considered as a separate financial instrument and should be classified as FVTPL. The Group engaged an independent valuer to measure the fair value of the Right, and considered it is RMB nil as at December 31, 2023 and 2024.
- (c) The Group entered into a series of contracts with banks and other financial institutions in the PRC. The directors of the Group considered the wealth management products shall be classified as financial assets at FVTPL and the amount paid for the wealth management products approximates its fair value at the end of each reporting period.

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24. DEFERRED TAX

Deferred tax recognized and movements during the Track Record Period are as follows:

The Group

	Impairment losses on financial assets	Accruals	Fair value change on financial assets at FVOCI	Lease liabilities	Right-of-use assets	Fair value change on financial assets at FVTPL	Intangible assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	20,898	287	(117)	659	(760)	(608)	(33)	20,326
(Charged)/credited to profit or loss	35	(255)	–	(109)	154	374	4	203
Credited to other comprehensive income	–	–	376	–	–	–	–	376
At December 31, 2022 and January 1, 2023	20,933	32	259	550	(606)	(234)	(29)	20,905
Credited/(charged) to profit or loss	(2,495)	(32)	–	225	(274)	(54)	(20)	(2,650)
Credited to other comprehensive income	–	–	27	–	–	–	–	27
At December 31, 2023 and January 1, 2024	18,438	–	286	775	(880)	(288)	(49)	18,282
Credited/(charged) to profit or loss	99	–	–	(232)	230	188	(75)	210
Credited to other comprehensive income	–	–	125	–	–	–	–	125
At December 31, 2024	18,537	–	411	543	(650)	(100)	(124)	18,617

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The following is the analysis of the deferred tax balances for the financial reporting purposes:

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Deferred tax assets.....	21,774	19,499	19,491
Deferred tax liabilities	(869)	(1,217)	(874)
	<u>20,905</u>	<u>18,282</u>	<u>18,617</u>

The Company

	Impairment losses on financial assets	Accruals	Fair value change on financial assets at FVOCI	Lease liabilities	Right-of-use assets	Fair value change on financial assets at FVTPL	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, 2022	20,898	287	(117)	659	(760)	(608)	20,359
(Charged)/credited to profit or loss	35	(255)	–	(110)	154	374	198
Credited to other comprehensive income.....	–	–	376	–	–	–	376
At December 31, 2022 and January 1, 2023	20,933	32	259	549	(606)	(234)	20,933
Credited/(charged) to profit or loss	(2,495)	(32)	–	217	(267)	(54)	(2,631)
Charged to other comprehensive income.....	–	–	27	–	–	–	27
At December 31, 2023 and January 1, 2024	18,438	–	286	766	(873)	(288)	18,329
Credited/(charged) to profit or loss	94	–	–	(232)	233	188	283
Charged to other comprehensive income	–	–	125	–	–	–	125
At December 31, 2024	<u>18,532</u>	<u>–</u>	<u>411</u>	<u>534</u>	<u>(640)</u>	<u>(100)</u>	<u>18,737</u>

As at December 31, 2022, 2023 and 2024, the Group had unused tax losses of approximately RMB9,671,000, RMB12,175,000 and RMB2,680,000 respectively, available to offset against future profit. No deferred tax asset has been recognized in respect of those tax losses due to the unpredictability of future profit streams.

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Deferred tax assets	21,773	19,490	19,477
Deferred tax liabilities.....	(840)	(1,161)	(740)
	<u>20,933</u>	<u>18,329</u>	<u>18,737</u>

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25. INVENTORIES

The Group

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Payment terminals and others	7,246	3,254	3,986
Less: inventory write-down	(1,364)	(376)	(358)
	<u>5,882</u>	<u>2,878</u>	<u>3,628</u>

The Company

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Payment terminals and others	6,919	2,890	3,791
Less: write-down	(1,364)	(376)	(358)
	<u>5,555</u>	<u>2,514</u>	<u>3,433</u>

26. TRADE RECEIVABLES

The Group

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Trade receivables	86,252	66,051	57,758
Less: impairment loss allowance	(15,472)	(3,004)	(3,065)
	<u>70,780</u>	<u>63,047</u>	<u>54,693</u>

An aging analysis of trade receivables, net of impairment losses, as of the end of reporting period, based on the invoice dates and due dates, is as follows:

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Within 30 days	39,167	38,187	30,471
31 to 60 days	18,417	12,017	7,259
61 to 90 days	3,973	4,925	5,351
91 to 365 days	8,004	7,809	11,258
1 to 2 years	412	72	341
2 to 3 years, inclusive	177	31	13
3 to 4 years, inclusive	243	6	–
4 to 5 years, inclusive	387	–	–
Over 5 years	–	–	–
	<u>70,780</u>	<u>63,047</u>	<u>54,693</u>

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The Company

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade receivables	81,184	64,875	55,523
Less: impairment loss allowance	(15,418)	(2,983)	(3,028)
	<u>65,766</u>	<u>61,892</u>	<u>52,495</u>

An aging analysis of trade receivables, net of impairment losses, as of the end of reporting period, based on the invoice dates and due dates, is as follows:

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 30 days	34,461	37,243	29,669
31 to 60 days	18,155	11,975	7,181
61 to 90 days	3,958	4,891	5,154
91 to 365 days	8,004	7,682	10,137
1 to 2 years, inclusive	381	69	341
2 to 3 years, inclusive	177	26	13
3 to 4 years, inclusive	243	6	–
4 to 5 years, inclusive	387	–	–
Over 5 years	–	–	–
	<u>65,766</u>	<u>61,892</u>	<u>52,495</u>

The Group and the Company recognized impairment loss based on the accounting policy stated in Note 4.13(b). Trade receivables are generally due within 1 year from the date of billing.

Further details on the Group’s credit policy and credit risk analysis arising from trade receivables are set out in Note 43(b).

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Current portion			
Deposits and other receivables	136,040	136,448	144,457
Prepaid [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Prepayment for an investment (<i>note (a)</i>)	–	–	3,483
Prepayments	3,805	6,055	11,028
	143,200	145,980	168,030
Less: impairment loss allowance	(123,510)	(120,301)	(120,925)
	19,690	25,679	47,105
Non-current portion			
Prepayment for investment in a joint venture	–	2,408	–
	–	2,408	–
The Company	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Current portion			
Deposits and other receivables	132,036	132,890	139,858
Prepaid [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Prepayments	3,345	4,352	9,992
	138,736	140,719	158,912
Less: impairment loss allowance	(122,773)	(119,552)	(120,165)
	15,963	21,167	38,747

Notes:

- (a) On August 1, 2024, the Group entered into share transfer agreements with the existing shareholders (the “**Transferors**”) of a target company (“**Target Company**”) to acquire 95% of equity interest of the Target Company from the Transferors at a total consideration of SGD4.81 million (the “**Proposed Acquisition**”). The Proposed Acquisition currently is not completed and is subject to the regulatory approval of local authority. In August and October 2024, the Group has paid deposits of HKD3.6 million and SGD0.05 million, approximately equivalent to RMB3.5 million, in total to the Transferors.

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28. CASH AND CASH EQUIVALENTS/TIME DEPOSITS WITH MATURITY OVER THREE MONTHS/RESTRICTED BANK DEPOSITS

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents:			
Bank balances and cash (<i>note (a)</i>)	203,456	313,534	352,074
Client reserve funds and restricted bank deposits classified as			
current assets (<i>note (b)</i>)	3,200,866	3,982,465	2,336,631
Time deposit (<i>note (c)</i>)	100,000	100,000	150,000
	<u>3,504,322</u>	<u>4,395,999</u>	<u>2,838,705</u>

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents:			
Bank balances and cash	145,696	255,733	264,936
Client reserve funds and restricted bank deposits classified as			
current assets	2,967,116	3,664,693	1,775,431
Time deposit	100,000	100,000	150,000
	<u>3,212,812</u>	<u>4,020,426</u>	<u>2,190,367</u>

Notes:

- (a) At the end of each reporting period, cash at banks earns interest at floating rates based on daily bank deposit rates.
- (b) Client reserve funds and restricted bank deposits

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Client reserve funds (i)	3,134,501	3,938,214	2,292,483
Client reserve funds risk reserve	26,542	27,604	28,258
Performance bond	21,367	15,962	14,835
Others	18,456	685	1,055
	<u>3,200,866</u>	<u>3,982,465</u>	<u>2,336,631</u>

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(i) *Client reserve funds*

Client reserve funds mainly client reserve funds collected and awaiting disbursement as requested. Client reserve funds are segregated from and not reported as part of cash and cash equivalents as they represent other assets held by the Group on behalf of customers, and, therefore is not available for the Group’s general use.

Client reserve funds also comprise the service fees earned by the Group arising from completed integrated digital payment services which have not been withdrawn from customer deposit bank accounts. These balances were not reported as cash and cash equivalents because they were held on the customer accounts with customers’ funds.

- (c) Time deposits of approximately RMB100,000,000, RMB100,000,000 and RMB150,000,000, represent fixed deposits with maturity more than three months from the date of acquisition, which carried interest at prevailing market rates ranging from 1.65% to 1.85%, 1.5% to 2.05% and 1.45% to 1.65% as at December 31, 2022, 2023 and 2024 respectively.

29. TRADE PAYABLES

The Group

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Trade payables	126,630	180,104	182,860

A credit period of up to 3 months, if applicable, from the date of billing is generally granted by the Group’s trade suppliers. Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of the Group’s trade payables as at the end of reporting period is as follows:

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Within 30 days	35,540	126,389	117,192
31 to 60 days	851	10,451	9,666
61 to 90 days	1,714	9,467	4,705
91 to 365 days	87,555	30,152	31,966
1–2 years.	340	3,248	16,695
Over 2 years	630	397	2,636
	126,630	180,104	182,860

Trade payables mainly represent amounts due to suppliers for purchase of payment terminals and other equipment; commission payable to channels for integrated digital payment services.

The Company

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Trade payables	124,282	177,838	178,238

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	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Within 30 days	35,277	126,213	115,783
31 to 60 days	847	10,451	8,745
61 to 90 days	414	9,467	4,316
91 to 365 days	86,774	28,183	30,630
1–2 years	340	3,127	16,128
Over 2 years	630	397	2,636
	<u>124,282</u>	<u>177,838</u>	<u>178,238</u>

30. OTHER PAYABLES AND ACCRUALS

The Group

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Payables to merchants and other customers (<i>note a</i>)	3,318,885	4,119,309	2,461,335
Staff costs and welfare accruals	25,365	36,506	40,758
Dividend payables	–	28,369	970
Provision of contingent guarantees	–	–	1,231
Accruals	8,231	72	14
Other tax payables	3,852	3,083	3,733
Received in advance	10,393	10,393	10,298
Accrued [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]
Others	414	498	372
	<u>3,367,140</u>	<u>4,198,230</u>	<u>2,521,897</u>

The Company

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Payables to digital payment customers (<i>note a</i>)	3,318,839	4,079,810	2,395,914
Staff costs and welfare accruals	22,775	34,619	36,237
Dividend payables	–	28,369	970
Provision of contingent guarantees	–	–	1,231
Accruals	8,181	22	14
Other tax payables	3,703	2,891	3,419
Received in advance	10,393	10,393	10,298
Accrued [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]
Others	50	50	51
	<u>3,363,941</u>	<u>4,156,154</u>	<u>2,451,320</u>

Notes:

- (a) The balance represents funds processed by the Group and the Company for merchants and other customers, which are awaiting to be settled with merchants and other customers as requested.

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31. CONTRACT LIABILITIES

The Group

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Contract liabilities arising from			
Integrated digital payment services	3,252	2,624	3,234
Digital commerce-enabling solutions.	1,695	5,416	7,673
	<u>4,947</u>	<u>8,040</u>	<u>10,907</u>

The contract liabilities represented the advance consideration received from customers. The addition of contract liabilities was mainly due to the increase of cash payments made upfront by the Group’s customers under sales contracts. The Group receives payment from customers based on billing schedule as established in contracts.

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	<u>2,593</u>	<u>3,842</u>	<u>5,627</u>

The Company

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Contract liabilities arising from			
Integrated digital payment services	3,252	2,624	3,234
Digital commerce-enabling solutions.	1,475	3,708	4,845
	<u>4,727</u>	<u>6,332</u>	<u>8,079</u>

32. BANK BORROWINGS

The Group and the Company

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Bank loans	170,073	160,000	187,600
Less: Non-current portion	(160,000)	(147,500)	(132,500)
Current portion	<u>10,073</u>	<u>12,500</u>	<u>55,100</u>

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	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Secured and guaranteed	170,073	160,000	187,600
Unsecured and unguaranteed	—	—	—
	<u>170,073</u>	<u>160,000</u>	<u>187,600</u>

Note:

- (a) At December 31, 2022, 2023 and 2024, bank loans and loans from other financial institutions of approximately RMB170,073,000, RMB160,000,000 and RMB187,600,000 were secured by the following assets of the Group:

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Investment properties (note 15)	100,169	97,385	91,602
Buildings (note 16)	430,220	403,286	379,351
	<u>530,389</u>	<u>500,671</u>	<u>470,953</u>

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	—	—	40,100
Variable rate borrowings	170,073	160,000	147,500
	<u>170,073</u>	<u>160,000</u>	<u>187,600</u>

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Carrying amount repayable:			
On demand or within one year.	10,073	12,500	55,100
More than one year, but not exceeding			
two years	12,500	15,000	17,500
More than two years, but not exceeding			
five years.	52,500	60,000	67,500
After five years	95,000	72,500	47,500
	<u>170,073</u>	<u>160,000</u>	<u>187,600</u>

The carrying amounts of the Group’s current interest-bearing bank borrowing approximate to their fair value.

- (b) The agreements governing the bank loans of the Group contain conditions and events of default customary for such financings. Certain bank loans amounting to RMB160,000,000, RMB147,500,000 and RMB132,500,000 which were classified as non-current liabilities as at the year ended December 31, 2022, 2023 and 2024 contain financial covenants including debt-to-asset ratio, liquidity ratio, positive net cashflow generated from operation, long-term investments ratio quarterly until maturity. The Group has complied with the covenants under the relevant facility agreements as at December 31, 2022, 2023 and 2024 and the applicable test dates before the financial period ended.

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33. EQUITY-SETTLED SHARE-BASED PAYMENTS

Share Incentive Plan

The Share Incentive Plan was adopted in November, 2021 for the purpose of rewarding and motivating, among executive directors and employees of the Company (the “**Participants**”) with the shares of the Company. The Share Incentive Plan shall be valid and effective from the date of adoption until completion of [REDACTED] of the Company’s shares in accordance with the rules constituting the Share Incentive Plan. Pursuant to the Share Incentive Plan, the Company may grant restricted shares to Participants, and cessation of restriction is subject to the relevant employee continue his/her employment with the Group within a lock-up period until completion of the [REDACTED] of the Company.

To implement the Share Incentive Plan, Shanghai Tianzhifu Enterprise Management Services Partnership (Limited Partnership) (“**Tianzhifu**”) was established as a limited partnership on November 8, 2021 as employee incentive platform to hold underlying incentive shares and controlled by Dr. Chen Jian as general partner. The source of the underlying incentive shares (share of the Company) shall be ordinary shares of the Company held by Dr. Chen Jian through Fuyouhao Investment Center (Limited Partnership) (“**Fuyouhao**”). Tianzhifu indirectly holds the incentive shares through Fuyouhao as transferred from Dr. Chen Jian to Tianzhifu. After the shares transfer is completed, the Participants will indirectly hold the shareholding of the Company through Tianzhifu. The shares of Tianzhifu are granted to Participants at grant price of RMB1.42, and 1 share of Tianzhifu is representing indirect holding 1 share of the underlying incentive share.

As at December 31, 2022, 2023 and 2024, the share incentive plan outstanding restricted shares in respect of an aggregate of 4,585,300 shares, 4,640,000 shares and 4,812,900 shares of the Company respectively to Participants pursuant to the share incentive plan.

	Number of Shares Granted <i>(thousand)</i>
Outstanding as of January 1, 2022.	4,412
Granted during the year.	263
Forfeited during the year.	(90)
Vested during the year.	—
Outstanding as of December 31, 2022 and January 1, 2023.	4,585
Granted during the year.	102
Forfeited during the year.	(47)
Vested during the year.	—
Outstanding as of December 31, 2023 and January 1, 2024.	4,640
Granted during the year.	1,173
Forfeited during the year.	(1,000)
Vested during the year.	—
Outstanding as of December 31, 2024.	4,813

The estimated fair value of the underlying incentive shares awarded was approximately RMB\$10 per share on the grant date was determined by using market approach with reference to financial ratios of comparable entities. Changes in variables and assumptions may result in changes in the fair values of the share awards. During the Track Record Period, the Company re-estimated the expected successful [REDACTED] of the Company.

Under the share incentive plan, share-based payment of RMB10,183,000, RMB14,826,000 and RMB6,765,000 was recognized in the consolidated statement of profit or loss and other comprehensive income, with a corresponding credit to the equity, for the years ended December 31, 2022, 2023 and 2024 respectively.

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34. SHARE CAPITAL

The Group and the Company

Authorized	Note	Number of shares	Amount
			RMB'000
At December 31, 2021, January 1, 2022, December 31, 2022, January 1, 2023, December 31, 2023, January 1, 2024 and December 31, 2024	(i)	360,000,000	360,000
Issued	Note	Number of shares	Amount
			RMB'000
At December 31, 2021, January 1, 2022, December 31, 2022, January 1, 2023, December 31, 2023, January 1, 2024 and December 31, 2024	(i)	360,000,000	360,000

Note (i): The Company was incorporated in PRC with limited liability on July 25, 2011 with an authorised and issued share capital of RMB360,000,000 divided into 360,000,000 ordinary shares of nominal value RMB1.00 each as at December 31, 2022, 2023 and 2024.

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35. RESERVES

The amounts of the Group’s reserves and the movements therein for the years ended December 31, 2022, 2023 and 2024 are presented in the consolidated statements of changes in equity of this report.

Summary to the Company’s reserve is as follows:

	Share premium*	Capital reserve*	FVOCI reserve*	Statutory reserve*	Retained earnings*	Total reserve
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	(Note 35(a))		(Note 35(b))	(Note 35(c))	(Note 35(d))	
Balance at January 1, 2022	13,903	1,187	661	106,794	50,149	172,694
Profit for the year	–	–	–	–	72,113	72,113
Changes in fair value of financial assets of FVOCI, net of tax	–	–	(2,127)	–	–	(2,127)
Total comprehensive income/(expenses) for the year	–	–	(2,127)	–	72,113	69,986
Equity-settled shared-based transactions (Note 33)	–	10,183	–	–	–	10,183
Dividend declared (Note 12)	–	–	–	–	(25,000)	(25,000)
Transfer of retained earnings	–	–	–	7,330	(7,330)	–
Balance at December 31, 2022 and January 1, 2023	13,903	11,370	(1,466)	114,124	89,932	227,863
Profit for the year	–	–	–	–	86,876	86,876
Changes in fair value of financial assets of FVOCI, net of tax	–	–	(157)	–	–	(157)
Total comprehensive income/expenses for the year	–	–	(157)	–	86,876	86,719
Equity-settled shared-based transactions (Note 33)	–	14,826	–	–	–	14,826
Dividend declared (Note 12)	–	–	–	–	(120,000)	(120,000)
Transfer of retained earnings	–	–	–	8,487	(8,487)	–
Balance at December 31, 2023 and January 1, 2024	13,903	26,196	(1,623)	122,611	48,321	209,408
Balance at December 31, 2023 and January 1, 2024	13,903	26,196	(1,623)	122,611	48,321	209,408
Profit for the year	–	–	–	–	42,564	42,564
Changes in fair value of financial assets of FVOCI, net of tax	–	–	(706)	–	–	(706)
Total comprehensive income/expenses for the year	–	–	(706)	–	42,564	41,858
Equity-settled shared-based transactions (Note 33)	–	6,765	–	–	–	6,765
Provision of contingent guarantees	–	(1,181)	–	–	–	(1,181)
Dividend declared (Note 12)	–	–	–	–	(40,000)	(40,000)
Transfer of retained earnings	–	–	–	4,001	(4,001)	–
Balance at December 31, 2024	13,903	31,780	(2,329)	126,612	46,884	216,850

* These reserve accounts comprise the reserves as of December 31, 2022, 2023 and 2024 in the Company’s statements of financial position.

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(a) **Share premium**

Share premium represents the excess of issuing price over the nominal values of ordinary shares, after deducting [REDACTED] commissions and [REDACTED] expenses pursuant to [REDACTED] that have been charged to equity.

(b) **FVOCI reserve**

FVOCI reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of reporting period.

(c) **Statutory reserve**

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in PRC, PRC group entities are required to appropriate 10% of their net profits after tax, as determined under the generally accepted accounting principles of the PRC, to the statutory reserve until the reserve balance reaches 50% of their respective registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the group entities, the statutory reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the group entities. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(d) **Retained earnings**

Cumulative net gains and losses recognized in profit or loss.

(e) **Translation reserve**

The translation reserve is used to record exchange differences arising from the translation of the financial statements of group entities whose the functional currencies are not RMB.

36. NON-CONTROLLING INTERESTS

The Group

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At the beginning of the year	(492)	(163)	(344)
Profit/(loss) for the year	(370)	(181)	260
Exchange difference on translation of			
foreign operations	28	–	(12)
Deregistration of a subsidiary	89	–	–
Change in equity interests in a subsidiary without change in control.	582	–	5,124
At the end of the year	<u>(163)</u>	<u>(344)</u>	<u>5,028</u>

37. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

As of December 31, 2022, 2023 and 2024, the balances are unsecured, interest-free and repayable on demand.

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38. NOTES SUPPORTING TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The table below shows the details changes in the Group’s liabilities arising from financing activities. Liabilities arising from financing activities are those for which each cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows from financing activities.

	Dividend payable (note 30)	Bank borrowings (note 32)	Lease liabilities (note 20(b))	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2022	17,871	177,602	4,968	200,441
Changes from financing cash flows:				
Dividend paid	(42,871)	–	–	(42,871)
Repayment	–	(7,500)	(4,743)	(12,243)
Interest paid	–	(7,302)	(222)	(7,524)
Total changes from financing cash flows.	(42,871)	(14,802)	(4,965)	(62,638)
Other changes:				
Dividend declared	25,000	–	–	25,000
Interest expenses	–	7,273	222	7,495
Recognition of lease liabilities	–	–	3,814	3,814
Exchange realignments	–	–	10	10
Total other changes	25,000	7,273	4,046	36,319
At December 31, 2022.	–	170,073	4,049	174,122

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	Dividend payable (note 30)	Bank borrowings (note 32)	Lease liabilities (note 20(b))	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	–	170,073	4,049	174,122
Changes from financing cash flows:				
Dividend paid	(91,631)	–	–	(91,631)
Repayment	–	(10,000)	(5,007)	(15,007)
Interest paid	–	(6,550)	(232)	(6,782)
Total changes from financing cash flows	(91,631)	(16,550)	(5,239)	(113,420)
Other changes:				
Dividend declared	120,000	–	–	120,000
Interest expenses	–	6,477	232	6,709
Recognition of lease liabilities	–	–	6,575	6,575
Early termination of lease	–	–	(45)	(45)
Total other changes	120,000	6,477	6,762	133,239
At December 31, 2023 and January 1, 2024.	28,369	160,000	5,572	193,941
Changes from financing cash flows:				
Dividend paid	(67,399)	–	–	(67,399)
Proceeds from borrowings	–	50,000	–	50,000
Repayment	–	(22,400)	(4,713)	(27,113)
Interest paid	–	(7,090)	(192)	(7,282)
Total changes from financing cash flows	(67,399)	20,510	(4,905)	(51,794)
Other changes:				
Dividend declared	40,000	–	–	40,000
Interest expenses	–	7,090	192	7,282
Recognition of lease liabilities	–	–	3,143	3,143
Total other changes	40,000	7,090	3,335	50,425
At December 31, 2024.	970	187,600	4,002	192,572

39. CAPITAL COMMITMENTS

The Group

As of December 31, 2022, 2023 and 2024, the Group had no outstanding capital commitments.

The Company

As of December 31, 2022, 2023 and 2024, the Company had no outstanding capital commitments.

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40. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group:

Name of related parties	Relationship with the Group
Company A	Companies controlled by the same controlling shareholder
Company B	Companies controlled by the same controlling shareholder
Company C	Companies controlled by the same controlling shareholder
Company D	Companies controlled by the same controlling shareholder
Company E	Associates
Company F	Companies controlled by the same controlling shareholder
Company G	Joint venture
Company H	Shareholder

- (b) The Group entered into the following related party transactions with related companies during the Track Record Period:

Purchase of goods/acceptance of services	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Related companies			
Company B	584	528	681
Company C	3,073	–	504
Company E	180,682	233,582	230,290
	<u> </u>	<u> </u>	<u> </u>
Sale of goods/provision of services	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Related companies			
Company A	1	–	–
Company C	1,368	–	206
Company D	18	12	1
Company E	73	358	–
Company F	1	–	–
	<u> </u>	<u> </u>	<u> </u>
Lease	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Shareholder			
Company H	12,025	12,025	8,017
	<u> </u>	<u> </u>	<u> </u>

The terms of the related party transactions carried out during the Track Record Period were mutually agreed by the Group and the related companies.

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(c) Balances with related parties

		As of December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
<i>Trade nature</i>				
(i) Trade receivables				
Company A	–	431	420	
Company B	–	131	131	
Company C	–	20	–	
Company D	38	22	17	
Company G	31	35	–	
(ii) Trade payables				
Company B	105	–	401	
Company C	–	–	55	
Company E	16,353	20,595	22,031	
Company J	44	41	–	
(iii) Other payables				
Company A	12	12	–	
(iv) Receivables from operating lease				
Company H	–	–	8,738	

All the above balances with related parties are repayable on demand, unsecured and interest free.

		As of December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
<i>Non-trade nature</i>				
Other payables				
Company E	50	50	50	

The balance with Company E was deposits for online payment services, which will not be settled prior to [REDACTED].

(d) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group during the Track Record Period represented the directors’ emoluments as disclosed in Note 14(a) to the Historical Financial Information.

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41. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings, respectively.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy back as well as the issue of new debts or redemption of existing debt, if necessary.

Management regards total equity as capital. The amount of capital as of December 31, 2022, 2023 and 2024 amounted to approximately RMB585,190,000, RMB572,778,000 and RMB624,703,000 respectively, which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The Group

The following table shows the carrying amounts of financial assets and liabilities of the Group:

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at amortized cost	3,587,632	4,475,193	2,916,930
Financial assets at FVTPL	53,777	11,922	10,666
Financial assets at FVOCI	3,275	52,570	52,578
	<u> </u>	<u> </u>	<u> </u>
Financial liabilities			
Financial liabilities measured at amortized cost.	3,664,040	4,540,823	2,892,626
	<u> </u>	<u> </u>	<u> </u>

The Company

The following table shows the carrying amounts of financial assets and liabilities of the Company:

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at amortized cost	3,535,317	4,385,468	2,763,555
Financial assets at FVTPL	53,777	11,922	10,666
Financial assets at FVOCI	3,275	3,090	2,260
	<u> </u>	<u> </u>	<u> </u>
Financial liabilities			
Financial liabilities measured at amortized cost.	3,660,669	4,509,020	2,858,567
	<u> </u>	<u> </u>	<u> </u>

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group’s financial instruments in the normal course of the Group’s business are interest rate risk, credit risk, liquidity risk and fair value. These risks are limited by the Group’s financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Interest rate risk

The Group’s interest-bearing financial instruments at variable rates as of December 31, 2022, 2023 and 2024 are the cash at bank client reserve funds and client reserve funds risk reserve. The Group is also exposed to cash flow interest rate risk in relation to variable rate bank borrowings. As at December 31, 2022, 2023 and 2024, if interest rates have increased/decreased by 50 basis points with all other variables held constant, the Group’s post-tax profit, after taking into account the impact of interest expense, would decrease/increase by approximately RMB722,000, RMB680,000 and RMB797,000 respectively.

(b) Credit risk

The Group’s credit risk is primarily attributable to its trade receivables, deposits and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, deposits and other receivables, individual credit evaluations are performed on all customers. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at December 31, 2022, 2023 and 2024, the Group had certain concentrations of credit risk as 30.0%, 22.4% and 14.8% of the Group’s trade receivables were due from the Group’s largest debtor respectively and 57.4%, 55.6% and 43.1% of the Group’s trade receivables were due from the Group’s five largest debtors respectively.

The Group

(i) Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer bases, the loss allowance based on past due status is not further distinguished between the Group’s different customer bases.

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The following table provides information about the Group and the Company’s exposure to credit risk and ECLs for trade receivables as at the end of reporting period:

	Less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total
At December 31, 2022					
Expected loss rate (%)	1.0	12.0	94.3	100.0	17.9
Gross carrying amount (RMB’000) . .	70,264	468	14,262	1,258	86,252
Loss allowance (RMB’000)	703	56	13,455	1,258	15,472
At December 31, 2023					
Expected loss rate (%)	1.0	17.0	95.1	100.0	4.6
Gross carrying amount (RMB’000) . .	63,574	86	749	1,642	66,051
Loss allowance (RMB’000)	635	15	712	1,642	3,004
At December 31, 2024					
Expected loss rate (%)	1.0	27.0	96.2	100.0	5.3
Gross carrying amount (RMB’000) . .	54,887	467	427	1,977	57,758
Loss allowance (RMB’000)	551	126	411	1,977	3,065

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the Track Record Period over which the historic data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance for impairment of trade receivables are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
At the beginning of the year	18,211	15,472	3,004
Provision for loss allowance	116	132	61
Reversal of impairment	(2,850)	(1,135)	–
Write-off	(5)	(11,465)	–
At the end of the year	15,472	3,004	3,065

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The Company

	Less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total
At December 31, 2022					
Expected loss rate (%).	1.0	12.0	94.3	100.0	19.0
Gross carrying amount (RMB’000) . .	65,232	432	14,262	1,258	81,184
Loss allowance (RMB’000)	653	52	13,455	1,258	15,418
At December 31, 2023					
Expected loss rate (%).	1.0	17.0	95.6	100.0	4.6
Gross carrying amount (RMB’000) . .	62,414	84	735	1,642	64,875
Loss allowance (RMB’000)	624	14	703	1,642	2,983
At December 31, 2024					
Expected loss rate (%).	1.0	27.0	97.0	100.00	5.5
Gross carrying amount (RMB’000) . .	52,667	467	412	1,977	55,523
Loss allowance (RMB’000)	525	126	400	1,977	3,028

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
At the beginning of the year	18,203	15,418	2,983
Provision for loss allowance	69	123	45
Reversal of impairment	(2,850)	(1,093)	–
Write-off.	(4)	(11,465)	–
At the end of the year	15,418	2,983	3,028

(ii) *Deposits and other receivables*

In respect of deposits and other receivables, the Group has applied the general approach prescribed by IFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs for deposits and other receivables. To measure the ECLs, deposits and other receivables have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

As at the end of reporting period, all deposits and other receivables are measured at an amount equal to 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

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ACCOUNTANTS’ REPORT

The following table provides information about the Group and the company’s exposure to credit risk and ECLs for deposits and other receivables:

The Group

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Gross carrying amount			
– Deposits and other receivables			
(Note)	136,040	136,448	144,457
Loss allowance			
– Deposits and other receivables	123,510	120,301	120,925

Movements in the loss allowance account for impairment of deposits and other receivables are as follows:

	2022	2023	2024
	RMB’000	RMB’000	RMB’000
At the beginning of the year	120,335	123,510	120,301
Provision for loss allowance	3,116	96	612
Write-off	–	(3,316)	–
Exchange difference	59	11	12
At the end of the year	123,510	120,301	120,925

The Company

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Gross carrying amount			
– Deposits and other receivables			
(Note)	132,036	132,890	139,858
Loss allowance			
– Deposits and other receivables	122,773	119,552	120,165

Movements in the loss allowance account for impairment of deposits and other receivables are as follows:

	2022	2023	2024
	RMB’000	RMB’000	RMB’000
At the beginning of the year	119,706	122,773	119,552
(Reversal of)/provision for loss allowance	3,067	95	613
Write-off	–	(3,316)	–
At the end of the year	122,773	119,552	120,165

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ACCOUNTANTS’ REPORT

In respect of the Group’s cash and cash equivalents and restricted bank deposits, the directors of the Company consider the probability of default is low on these balances since the counterparties are financial institutions with high credit ratings or with good reputation.

The Company

In respect of the Company’s cash and cash equivalents and restricted bank deposits, the directors of the Company consider the probability of default is low on these balances since the counterparties are financial institutions with high credit ratings or with good reputation.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group’s short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

The following tables detail the Group’s remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amounts are derived from current interest rate at the end of reporting period.

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2022						
Trade payables	126,630	126,630	126,630	–	–	–
Borrowings and interest payable	170,073	208,267	17,097	19,181	68,600	103,389
Other payables and accruals . . .	3,363,288	3,363,288	3,363,288	–	–	–
Lease liabilities	4,049	4,166	2,718	1,352	96	–
	<u>3,664,040</u>	<u>3,702,351</u>	<u>3,509,733</u>	<u>20,533</u>	<u>68,696</u>	<u>103,389</u>

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	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2023						
Trade payables	180,104	180,104	180,104	–	–	–
Borrowings and interest payable	160,000	191,170	19,181	21,067	73,796	77,126
Other payables and accruals . . .	4,195,147	4,195,147	4,195,147	–	–	–
Lease liabilities	5,572	5,833	3,423	1,811	599	–
	<u>4,540,823</u>	<u>4,572,254</u>	<u>4,397,855</u>	<u>22,878</u>	<u>74,395</u>	<u>77,126</u>

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2024						
Trade payables	182,860	182,860	182,860	–	–	–
Borrowings and interest payable	187,600	212,145	61,224	22,920	78,607	49,394
Other payables and accruals . . .	2,521,897	2,521,897	2,521,897	–	–	–
Lease liabilities	4,002	4,157	2,912	1,204	41	–
	<u>2,896,359</u>	<u>2,921,059</u>	<u>2,768,893</u>	<u>24,124</u>	<u>78,648</u>	<u>49,394</u>

(d) Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk to the Group is minimal as most of the Group’s transactions are carried out in functional currency of the respective entities.

The Group is exposed to currency risk primarily through financial assets and financial liabilities that are denominated in a currency other than the functional currency of the several subsidiaries of the Group to which they relate.

The subsidiaries are mainly exposed to foreign currency of USD, British Pound (“GBP”), CAD and EUR.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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ACCOUNTANTS’ REPORT

The carrying amounts of the Group’s foreign currency denominated monetary assets at the end of each reporting period are summarised as follows:

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Group			
Assets			
USD	487,008	255,254	357,679
GBP	4,192	41	482
CAD	3,050	5,499	3,302
HKD	1	118	65
KRW	–	1,212	–
JPY	–	931	2,470
EUR	1,065	2,532	2,453
AUD	–	102	5
MXN	–	69	560
	<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in foreign currencies against RMB, the foreign currencies with which the Group may have a material exposure. 5% represents management’s assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit and other comprehensive income where foreign currencies strengthen 5% against RMB. For a 5% weakening of foreign currencies against RMB, there would be an equal and opposite impact on profit and other comprehensive income.

	As of 31 December,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Impact on profit and other comprehensive income			
USD	24,350/(24,350)	12,763/(12,763)	17,884/(17,884)
GBP	210/(210)	2/(2)	24/(24)
CAD	152/(152)	275/(275)	165/(165)
HKD	–	6/(6)	3/(3)
KRW	–	61/(61)	(25)/25
JPY	–	47/(47)	123/(123)
EUR	53/(53)	127/(127)	123/(123)
AUD	–	5/(5)	–
MXN	–	3/(3)	28/(28)
	<u> </u>	<u> </u>	<u> </u>

In the opinion of the directors of the Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

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44. FAIR VALUE MEASUREMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate to their fair values at the end of reporting period.

Fair value measurements recognized in the combined statement of financial position.

The Group’s financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the inputs is observable and the significance of the inputs to the fair value measurement in its entirety.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This note provides information about how the Group determines fair value of the following financial assets that are measured at fair value on a recurring basis.

	Year ended December 31,	
	Financial assets at FVTPL	Equity instrument designated at FVOCI
	RMB’000	RMB’000
At January 1, 2022	13,934	5,777
Fair value gain/(loss).	(2,377)	(2,502)
At December 31, 2022 and January 1, 2023.	11,557	3,275
Addition	–	54,600
Fair value gain/(loss).	365	(5,305)
At December 31, 2023 and January 1, 2024.	11,922	52,570
Fair value gain/(loss).	(1,256)	8
At December 31, 2024.	10,666	52,578

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(i) Fair value of the Group’s financial assets that are measured at fair value on a recurring basis

	Fair value at December 31,			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2023	2024				
Equity investments at FVOCI:							
Unlisted equity investments	3,275	52,570	52,578	Level 3	Market multiples with an adjustment of discount for lack of marketability	Discount for lack of marketability	The higher the discount for lack of marketability, the lower the valuation. If the discount for lack of marketability had increased/decreased by 10% with all other variables held constant, the fair value at the years ended December 31, 2022, 2023 and 2024 would have decreased/increased by RMB213,000, RMB97,000 and RMB44,000 respectively
					Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	N/A	N/A
					Latest transaction prices/ consideration for shares transfer in similar equity interest	Consideration due to timing, condition of sale and terms of agreement, size and nature of similar business to derive estimated value	The higher the value of similar transactions, the higher the valuation
Financial assets at FVTPL:							
Equity instruments	11,557	11,922	10,666	Level 3	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	Discount rate	The higher discount rate, the lower fair value. If the discount rate had increased/decreased by 5% with all other variables held constant, the fair value at the years ended December 31, 2022, 2023 and 2024 would have decreased/increased by RMB78,000, RMB89,000 and RMB74,000 respectively.

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ACCOUNTANTS’ REPORT

	Fair value at December 31,			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2023	2024				
Right (Note 23(b))	-	-	-	Level 3	Latest transaction prices in similar equity	Consideration due to timing, condition of sale and terms of agreement, size and nature of similar business to derive estimated value	The higher the value of similar transactions, the higher the valuation. If latest transaction prices in similar equity had increased/decreased by 5% with all other variables held constant, the fair value at the years ended December 31, 2022, 2023 and 2024 have decreased/increased by RMBnil.
Wealth management products	42,220	-	-	Level 2	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	N/A	N/A

45. CONTINGENCIES

As of December 31, 2022, 2023 and 2024, there were no significant contingencies items for the Group and the Company.

46. CAPITAL COMMITMENTS

Capital commitments as of December 31, 2022, 2023 and 2024 are analysed as follows:

	As of December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Investment in equity interests of an entity	-	-	2,575

47. EVENTS AFTER THE END OF THE TRACK RECORD PERIOD

- (a) Fuiou Group has fully settled the consideration of Divestment on 10 March 2025. Upon completion of the Divestment, the Company has no payment obligations of Fuiou Group in the Divestment.
- (b) In 2025, The Company declared interim dividends of RMB40.0 million, of which RMB24.4 million was paid in cash in March 2025 and the remaining RMB15.6 million is expected to be paid by the second quarter of 2025.

48. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Group and the Company or any of the companies comprising the Group in respect of any period subsequent to December 31, 2024.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

The information set out in this Appendix II does not form part of the Accountants’ Report from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this Document, and is included herein for illustrative purpose only.

The unaudited [REDACTED] financial information should be read in conjunction with the section entitled “Financial Information” in this Document and the Accountants’ Report set out in Appendix I to this Document.

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with paragraph 4.29 of the Listing Rules is for illustration purposes only, and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to the owners of the Company as at December 31, 2024 as if the [REDACTED] had taken place on December 31, 2024.

This unaudited statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2024 or at any future dates following the [REDACTED]. It is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at December 31, 2024 as set out in the Accountants’ Report on historical financial information of the Group, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Audited consolidated net tangible assets attributable to the owners of the Company as at December 31, 2024	Estimated net [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to owners of the Company as at December 31, 2024	Unaudited [REDACTED] adjusted consolidated net tangible assets per Share	
	RMB'000 (note 1)	RMB'000 (note 2)	RMB'000	RMB (note 3)	HK\$ (note 4)
Based on an [REDACTED] of					
HK\$[REDACTED] per Share	619,973	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of					
HK\$[REDACTED] per Share	619,973	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2024 is extracted from the Accountants’ Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at December 31, 2024 of approximately RMB622,652,000 with an adjustment for intangible assets attributable to the owners of the company as at December 31, 2024 of approximately RMB2,679,000.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on [REDACTED] [REDACTED] and the indicative [REDACTED] of HK\$[REDACTED] (equivalent to RMB[REDACTED]) and HK\$[REDACTED] (equivalent to RMB[REDACTED]) per [REDACTED], being the minimum and maximum [REDACTED] per Share, respectively, assuming no exercise of [REDACTED], after deduction of the [REDACTED] fees and other related expenses, payable by the Company (excluding the [REDACTED] expense that have been charged to profit or loss during the Track Record Period) in connection with the [REDACTED].
- (3) The unaudited [REDACTED] adjusted consolidated net tangible assets attributable to the owners of the Company per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] assuming (i) the [REDACTED] had been completed on December 31, 2024 and (ii) no exercise of the [REDACTED] and no Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed “Share Capital” to this document or otherwise.
- (4) For the purpose of unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share, the amounts in RMB are converted into Hong Kong dollar at the rate of HK\$1.0770 to RMB1, which was the exchange rate prevailing on April 29, 2025 with reference to the rate published by the People’s Bank of China. No representation is made that the RMB amounts have been, could have been to Hong Kong dollar, or vice versa, at that rate or any other rates at all.
- (5) The Company considered the subsequent events as disclosed in Note 47 of the Accountant’s Report set forth in Appendix I to this Document, and there was no impact to the adjusted [REDACTED] net tangible assets. No adjustment has been made to the unaudited [REDACTED] adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2024.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

PROPERTY VALUATION

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 30 April 2025 of the selected property interest held by the Group.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

[• 2025]

The Board of Directors

Shanghai Fuiou Payment Service Corp., Ltd.

3rd Floor, Building 6
No. 351, Jinzang Road
China (Shanghai) Pilot Free Trade Zone
Shanghai
The PRC

Dear Sirs,

In accordance with your instructions to value the selected property held by Shanghai Fuiou Payment Service Corp., Ltd. (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) have interests in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 30 April 2025 (the “**valuation date**”).

The investment property interest forms part of property activities that the property has a carrying amount of 1% or more of the Group’s total assets and therefore the valuation report of the selected property interest is required to be included in this document.

Our valuation is carried out on a market value basis. Market value defined “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

APPENDIX III

PROPERTY VALUATION

We have valued the property interest which is held for investment by the Group by the income approach by taking into account the rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including Real Estate Title Certificate and official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company’s PRC legal advisers – Grandall Law Firm (Shanghai), concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

The site inspection was carried out in April 2024 by Ms. Queena Qiao who has obtained a bachelor degree in asset appraisal and has 9 years’ valuation experience in the real estate industry of the PRC and Ms. Cassie Hu who has 5 years’ valuation experience in the real estate industry of the PRC. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

APPENDIX III

PROPERTY VALUATION

Climate change, sustainability, resilience, and ESG are increasingly influencing investment approaches as they may affect prospects for rental and capital growth, and susceptibility to obsolescence. Properties that do not meet the sustainability characteristics expected in the market may represent a higher investment risk, particularly as occupiers become more conscious of ESG impacts on operational workspace, which could impact on vacancy and rental levels. This view is supported by RICS in their recently published guidance note “Sustainability and ESG in commercial property valuation and strategic advice (2nd Edition).”

While some of the sustainability and ESG initiatives are considered subjective and intangible, they cannot always be demonstrated with quantifiable evidence. Based on our research and local market knowledge, there is not yet any direct and tangible evidence of ESG being reflected in specific investment behaviours and/or pricing considerations for assets of a similar nature to the subject property, although it is acknowledged that ESG criteria is forming part of an increasing number of investment mandates. However more tangible benefits such as energy efficiency are realisable in operational costs. We have not undertaken full asset and market investigations in this regard. Whilst there is currently no direct and tangible evidence to suggest that the market is making pricing adjustments for ESG, we will continue to monitor market movements and sentiment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS R.P.S. (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 31 years’ experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

The selected property interest held for investment by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2025 <i>RMB</i>
Portions of Fuiou Technology Park, located at No. 351 Jinzang Road, Pudong New Area, Shanghai, The PRC	<p>Fuiou Technology Park (“the Project”) is located at No. 351 Jinzang Road, Pudong New Area. The Project is located in Jinqiao Town, an industrial area in the middle part of Pudong New Area, south to Zhangjiang Hi-tech Park, one of the national level high-tech development zones.</p> <p>The Project comprises 3 four-storey industrial buildings with a total gross floor area (“GFA”) of approximately 32,006.38 sq.m. erected on a parcel of land with a site area of approximately 55,873.00 sq.m. The Project was completed in 1998.</p> <p>The property comprises portions of the Project with the total GFA of approximately 6,285.21 sq.m. The details are set out in note 3.</p> <p>The land use rights of the property have been granted for a term expiring on 16 December 2049 for industrial use.</p>	As at the valuation date, the property was rented out to 3 parties for office and storage uses. (see notes 4, 5 and 6)	103,600,000

APPENDIX III

PROPERTY VALUATION

Notes:

- Shanghai Fuiou Payment Service Corp., Ltd (“**Fuiou Payment**”, 上海富友支付服務股份有限公司, a wholly-owned subsidiary of the Company) has entered into 3 Property Sale & Purchase Contracts dated 31 December, 2020 with Shanghai Fuiou Financial Services Group Co., Ltd. (“**Fuiou Group**”, 上海富友金融服務集團股份有限公司, Controlling Shareholder of the Company), to purchase the Project (including the property) at a consideration of RMB601,050,000.
- Pursuant to a Real Estate Title Certificate – Hu (2020) Pu Zi Bu Dong Chan Quan Di No. 147212, a parcel of land with a site area of approximately 55,873.00 sq.m. (including the land use rights of the property) have been granted to Fuiou Payment for a term expiring on 16 December 2049 for industrial use and the buildings with a total GFA of approximately 32,006.38 sq.m (including the property) are owned by Fuiou Payment.

- According to the information provided by the Group, the details of the usage and the GFA of the property are set out as below:

Building No.	Level	Usage	GFA (sq.m.)
No. 2	1F	Office	2,390.23
	2F	Office and Storage	180.00
No. 6	2F	Office	1,797.49
	4F	Office	1,797.49
No. 4	1F	Office	120.00
Total:			6,285.21

- Pursuant to a Tenancy Agreement, Level 1 of Building No. 2 and Levels 2 and 4 of Building No. 4 of the property with a total GFA of approximately 5,985.21 sq.m. are rented to Fuiou Group for office use with the lease term commencing from 1 January 2024 and expiring on 31 December 2026 at the total monthly rent of RMB728,200.6, exclusive of management fees, water and electricity charges.
- Pursuant to a Tenancy Agreement, portion of Level 2 of Building No. 2 of the property with a GFA of approximately 180.00 sq.m. is rented to an independent third party for office and storage uses with the lease term commencing from 1 December 2023 and expiring on 30 November 2025 at the monthly rent of RMB19,983.75, inclusive of management fees, water and electricity charges.
- Pursuant to a Tenancy Agreement, portion of Level 1 of Building No.4 of the property with a GFA of approximately 120.00 sq.m. was rented to an independent third party for office use with the lease term commencing from 1 January 2025 and expiring on 31 December 2025 with the monthly rent of RMB14,400, exclusive of management fees, water and electricity charges.
- Our valuation has been made on the following basis and analysis:
 - We have considered the actual rent in the existing tenancy agreements and also compared with similar developments which are located in the similar area as the ancillary office building of the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area;
 - the unit rent of these comparable ancillary office units ranges from RMB3.8 to RMB4.8 per sq.m. per day; and
 - based on our research of the business park market in the surrounding area of the property, the stabilized market yield ranged from 5% to 6.5% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.0% for the property as the capitalization rate in the valuation.

APPENDIX III

PROPERTY VALUATION

8. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
- a. The Company legally holds the state-owned land use rights and building ownership rights of the property in PRC. The Company has the rights to occupy and use the property;
 - b. Pursuant to a Real Estate Mortgage Contract dated 21 April 2021, the Project (including the property) is subject to mortgage in favour of China Construction Bank Xuhui Branch (the “**Bank**”) as security to guarantee the obligation under a loan contract dated 21 April 2021 with the Bank;
 - c. Save as the mortgage mentioned in note 8(b), there are no other rights or restrictions on the property;
 - d. Pursuant to the relevant legal rules and regulations of the People’s Government of Shanghai, mixed use for industrial land is encouraged for the support of industrial development and scientific research innovation, relevant building can be used for office flexibly. According to the confirmation and undertaking issued by the Company, the property is used for office purpose, in compliance with the relevant regulations and there are no illegal or irregular circumstances; and
 - e. Based on the information and relevant declaration provided by the Company, the property falls within the land parcels zoned for public green space and the property ownership rights may be subject to acquisition by the local authorities due to land use planning adjustments.

APPENDIX IV

TAXATION AND FOREIGN EXCHANGE

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this Document, which is subject to change or adjustment and may have retrospective effect.

No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the following discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

1. *Taxation on Dividends*

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the “**IIT Law**”), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Notice on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on May 13, 1994 and became effective on the same day, the incomes gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempt from individual income tax for the time being.

Pursuant to Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Taxation on June 28, 2011, for domestic non-foreign-invested enterprises issuing shares in Hong Kong, its overseas individual shareholders may enjoy relevant preferential tax treatment in accordance with the tax

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agreement between the PRC and its country of residence, and the tax agreement between the PRC and Hong Kong (or Macao). Domestic non-foreign-invested enterprises that issue shares in Hong Kong generally are subject to withhold personal income tax at 10% of dividends and profits without application. If the individual receiving dividends is a resident of an agreement country with a tax rate of less than 10%, the withholding agent shall apply for the relevant preferential treatment in accordance with the provisions and shall refund it after approval by the competent tax authority. If the individual is a resident of an agreement country with a tax rate higher than 10% but lower than 20%, the withholding agent shall withhold personal income tax at the agreement effective rate when paying dividends and bonuses, and no application is required in such cases. If the individual receiving dividends is a resident of a country without a tax agreement with the PRC or other circumstances exist, the withholding agent shall withhold personal income tax at the rate of 20% when paying dividends.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by National People’s Congress (“NPC”) on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Provisions of the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on December 6, 2024, the rate of corporate income tax shall be 25%. A non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise who issued shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of the State Administration of Taxation on Issues Relating to the Withholding and Remitting of Enterprise Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes. In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

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Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Arrangement**”), which was signed on August 21, 2006 and came into effect on December 8, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong resident directly holds 25% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax laws and regulations, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the PRC tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

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2. *Taxation on Share Transfer*

VAT and Local Additional Tax

Pursuant to the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), which was issued by the SCNPC on December 25, 2024 and will come into effect on January 1, 2026, all entities and individuals that engage in the sale of goods, services, intangible assets or immovable properties and the importation of goods within the territory of the People’s Republic of China, are taxpayers of the VAT, and shall pay the VAT in accordance with the provisions of this Law.

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and revised on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance on December 25, 1993 and later revised on December 15, 2008 and October 28, 2011, except otherwise required, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, sales of services, intangible assets, real property, and the importation of goods within the territory of the PRC shall pay the VAT at 0%, 6%, 11% and 17% in respect of the different goods sold, and the different services provided, by them.

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which was implemented by the Ministry of Finance and the STA on March 23, 2016 and was last revised on April 1, 2019, entities and individuals engaged in the services sale in the PRC are subject to VAT and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. This Notice also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in Appendix III to the Notice of the Ministry of Finance and the State Taxation Administration on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (namely, the Regulations on the Transition Policy Relating to the Pilot Plan for Levying Value Added Tax in Lieu of Business Tax 《營業稅改徵增值稅試點過渡政策的規定》) effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge.

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3. *Income tax*

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the STA on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax.

According to the Announcement of the Ministry of Finance and the State Administration of Taxation on the Catalogue of Preferential Individual Income Tax Policies with Continued Effect (《財政部、國家稅務總局關於繼續有效的個人所得稅優惠政策目錄的公告》) issued and implemented by the MOF and the STA on December 29, 2018, the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) will remain effective.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or arrangements on avoidance of double taxation.

4. *Stamp Duty*

Pursuant to the Stamp Tax Law of the PRC (《中華人民共和國印花稅法》), which was issued by the SCNPC on June 10, 2021, which came into effect on July 1, 2022, the PRC stamp duty shall be applicable to the entities and individuals who conclude taxable documents and engage in securities transactions within the territory of the PRC shall be taxpayers of stamp tax, and the entities and individuals who conclude taxable vouchers outside the territory of the PRC and use them within the territory of the PRC. Accordingly, the requirements of the PRC stamp duty law shall not apply to the purchase and disposal of H Shares by non-PRC investors outside of the PRC.

5. *Estate Duty*

No estate duty is levied in the PRC under the PRC laws.

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TAXATION AND FOREIGN EXCHANGE

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please refer to “**Regulatory Overview**” of this document.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange controls and cannot be freely converted into foreign currency. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on August 5, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange administrative authorities. For capital items, overseas organizations and overseas individuals making direct investments in the PRC shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange administrative authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that a material imbalance occur or may occur in the international revenues and expenditure, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and administrative measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996, removed other restrictions on convertibility of foreign exchange under current items, while imposes restrictions on foreign exchange transactions under capital items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

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According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of the resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the repatriation and settlement of the proceeds raised from the overseas listing of the foreign shares into Renminbi domestic accounts.

According to the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be repatriated to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account with a local bank for overseas listing of local enterprises to handle corresponding capital exchange and transfer for its business for its initial public offering (or enhancement) or repurchase.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and was revised on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

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According to the Notice of the SAFE on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, the SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas ending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner’s equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), which cancels restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors’ security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debt offering proceeds and remitted foreign listing proceeds for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current administrative regulations for use of revenue from capital accounts.

On December 4, 2023, the SAFE promulgated the Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (《關於進一步深化改革促進跨境貿易投資便利化的通知》), which optimizes the foreign exchange management of market purchasing trade; relaxes the netting settlement of income and cost for processing trade; improves the collection and payment of cross-border trade funds under entrusted agents; facilitates the settlement of foreign exchange funds for the operational leasing business of domestic organisations; extends the pilot policies for facilitating cross-border financing nationwide; relaxes restrictions on the scale of preliminary expenses for overseas direct investment (ODI); facilitates the payment and use of funds from equity transfer under domestic reinvestment and funds raised from overseas listing of foreign direct investment (FDI); improves the administration of the negative list for the use of revenue under the capital account; and cancels the approval for the opening of foreign debt accounts at different locations.

APPENDIX V SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

1. PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (2018 revision) (《中華人民共和國憲法(2018年修正)》) (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, laws of the special administrative regions, international treaties signed by the PRC government, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 revision) (《中華人民共和國立法法(2023年修正)》) (the “**Legislation Law**”), the National People’s Congress of the People’s Republic of China (“**NPC**”) and the SCNPC are empowered to exercise the legislative power of the State according to the Constitution. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The NPC may authorize the SCNPC to formulate relevant laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, ecological civilization construction, historical culture protection and grassroots governance based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. Autonomy regulations and separate rules of autonomous regions shall come into effect upon approval from the Standing Committee of the NPC. Autonomous regulations and separate regulations of autonomous prefectures and autonomous counties shall come into effect upon approval from the standing committee of the people’s congresses of autonomous regions and municipalities.

The ministries and commissions of the State Council, the PBOC, the Audit Administration and institutions required by law as well as organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules. The people’s governments

APPENDIX V SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on June 10, 1981, interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in procuratorial work of the procuratorates shall be provided by the Supreme People's Court. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the SCNPC for interpretation or decision. Interpretation of questions involving other relevant laws and decrees other than those mentioned above is vested in the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local regulations and rules is vested in the regional legislative and administrative organs which promulgate such regulations and rules.

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2. PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People’s Courts (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People’s Court, the local people’s courts, military courts and other special people’s courts.

The local people’s courts are comprised of the basic people’s courts, the intermediate people’s courts and the higher people’s courts. The basic people’s courts may set up civil, criminal and economic divisions, and certain people’s courts based on the facts of the region, population and cases. The intermediate people’s courts have divisions similar to those of the basic people’s courts and may set up other special divisions if needed. These two levels of people’s courts are subject to supervision by people’s courts at higher levels. The Supreme People’s Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people’s courts at all levels and special people’s courts. The Supreme People’s Procuratorate is authorized to supervise the judgment and ruling of the people’s courts at all levels which have been legally effective, and the people’s procuratorate at a higher level is authorized to supervise the judgment and ruling of a people’s court at lower levels which have been legally effective.

The PRC Civil Procedure Law (2023 revision) (《中華人民共和國民事訴訟法(2023年修正)》) (the “**Civil Procedure Law**”), which was last amended in September 1, 2023 and came into effect on January 1, 2024, sets forth the criteria for instituting a civil action, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a local court in the defendant’s place of domicile. The parties to a contract may agree in the written contract to choose the people’s court of the place where the defendant is domiciled, where the contract is performed, where the contract is signed, where the plaintiff is domiciled or where the subject matter of the contract is located to be the competent court, provided that the provisions of regarding the level of jurisdiction and exclusive jurisdiction shall not be violated. A people’s court takes the judgment or ruling of the second instance as the final judgment or ruling. A party may have the right to appeal against the judgment or ruling of the first instance of a local people’s court. The people’s procuratorate may present a protest to the people’s court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period, the judgments or rulings of the people’s court are final. Judgments or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court, and judgments or rulings of the first instance of the Supreme People’s Court, are final. However, if the Supreme People’s Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the local people’s court at any level, or if the people’s court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people’s court at a lower level, it has the authority to review the case itself or to direct the lower-level people’s court to conduct a retrial. If the chief judge of all levels of people’s courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people’s court at the same level for discussion and decision.

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A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the People’s Republic of China is a signatory or participant or according to the principle of reciprocity, a people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people’s court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people’s court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a judgment or ruling made by a people’s court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people’s court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court’s examination according to the principle of reciprocity, unless the people’s court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

3. ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the “**PRC Arbitration Law**”) was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017, respectively. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have reached an arbitration agreement, a people’s court will refuse to handle a legal proceeding initiated by one of the parties at such people’s court, unless the arbitration agreement is invalid.

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Under the PRC Arbitration Law and the PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people’s court for its enforcement. However, the people’s court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people’s court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the “**New York Convention**”) adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a state party shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC’s accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People’s Court of China was reached. The Supreme People’s Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which came into effect on February 1, 2000. The arrangement reflects the spirit of the New York Convention. Under the arrangement, the awards by the Mainland arbitral bodies in accordance with the PRC Arbitration Law may be enforced in Hong Kong and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of the Hong Kong Special Administrative Region may also be enforced in the Mainland. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of the Hong Kong Special Administrative Region decides that the enforcement of the arbitral awards in Hong Kong Special Administrative Region will be against public policies of the Hong Kong Special Administrative Region, the awards may not be enforced. On November 26, 2020, the PRC Supreme People’s Court issued the Supplementary Arrangements of the Supreme People’s Court on Reciprocal Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) (the “**Supplementary Arrangements**”). Pursuant to the Supplementary Arrangements, before or after

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accepting an application for enforcement of an arbitral award, the court concerned may take measures for preservation or enforcement in accordance with the application and the law of the place where the arbitral award is to be executed.

4. JUDICIAL JUDGEMENT AND ITS ENFORCEMENT

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People’s Court on January 25, 2024 and implemented on January 29, 2024, the courts of Hong Kong and the People’s Republic of China recognize each other and enforce legally binding judgments in civil and commercial cases. The content of the mutual recognition and enforcement of the judgment includes the monetary judgment and the non-monetary judgment, of which the scope of payment of the property and the mutual recognition and execution includes the property paid and the corresponding interest, litigation costs, late performance fines, and interest on late performance as determined by the judgment, excluding taxes and fines.

5. THE PRC SECURITIES LAWS AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading(《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

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The Securities Law of the PRC (《中華人民共和國證券法》) (the “**PRC Securities Law**”) took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The PRC Securities Law, which was revised on December 28, 2019 and came into effect on March 1, 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, takeovers by listed companies and the securities exchanges, securities companies and the duties and responsibilities of the State Council’s securities regulatory authorities.

The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council to list its shares outside the PRC. Currently, the issue and trading of foreign issued securities (including shares) are mainly governed by the rules and regulations promulgated by the State Council and CSRC.

6. THE PRC COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDANCE

The Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “**PRC Company Law**”) which was promulgated by the fifth meeting of the SCNPC on December 29, 1993 and came into effect on July 1, 1994. This law was revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively. The current PRC Company Law has been implemented from July 1, 2024.

The Trial Administrative Measures on the Overseas Securities Offering and Listing of Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and five relevant guidelines which were promulgated by CSRC on February 17, 2023 came into effect on March 31, 2023, and are applicable to the overseas offering and listing of securities of the PRC domestic companies.

The Guidelines for Articles of Association of Listed Companies (the “**Guidance**”) which was promulgated by CSRC on December 16, 1997 and latest amended on December 15, 2023 and came into effect on the same day, and provides guidelines for the articles of association. The required contents in the Guidance are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled “Appendix VI – Summary of the Articles of Association” in this document.

Set out below is a summary of the major provisions of the PRC Company Law, the Overseas Listing Trial Measures and the Guidance applicable to the Company.

General

A joint stock company with limited liability refers to an enterprise legal person incorporated in the PRC under the PRC Company Law who has the property of an independent legal person and the right to enjoy the property of the legal person with its capital divided into shares. According to the provisions of the company’s articles of association, all the shares of the company shall be

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either par value shares or no par value shares. In the case of par value shares, the amount for each share shall be equal. The liability of a shareholder of a joint stock company with limited liability is limited to the shares subscribed for by each shareholder, and the company is liable to its debts with all of its assets.

A joint stock company with limited liability shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock company with limited liability may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock company with limited liability may be established by promotion or subscription. A joint stock company with limited liability shall have a minimum of one but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. The registered capital of a joint stock company with limited liability is the total share capital for all the issued shares registered with the company’s registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. If laws, administrative regulations and State Council decisions provide otherwise on the minimum registered capital of a joint stock company with limited liability, the company should follow such provisions.

For a joint stock company with limited liability incorporated by way of promotion, the promoters shall subscribe for the full number of shares to be issued upon the incorporation of the company as provided for in its articles of association and make full payment for the shares subscribed for before the incorporation of the company. Shareholders who make their capital contribution in cash shall deposit the amount in full payment to the bank account opened by the company and shareholders who make their capital contribution with non-monetary assets shall complete the procedures relating to the transfer of titles to non-monetary assets as required by relevant laws. If a promoter fails to pay for the shares he has subscribed for, or if the actual value of the non-monetary assets used as capital contribution is significantly less than the amount of the shares subscribed for, the other promoters are jointly and severally liable to the extent of the shortfall in the capital contribution. After the promoters have subscribed for the capital contribution under the articles of association, a board of directors and a supervisory committee shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with relevant administration for industry and commerce, and other documents as required by the law or administrative regulations.

The convening and voting procedures for the inauguration meeting of a joint stock company with limited liability incorporated by promotion shall be stipulated in the articles of association or the agreement of the promoters. Where the shares to be issued remain undersubscribed upon the incorporation of the company, or where the promoters fail to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at

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bank rates of a deposit for the same period. After the promoters and subscribers have paid for their subscribed shares or delivered non-monetary assets as capital contribution, they shall not withdraw their capital except in cases where the issued shares are not fully subscribed within the specified period, the promoters fail to convene an inauguration meeting within the prescribed period, or the inauguration meeting resolves not to incorporate the company. Within 30 days of the conclusion of the inauguration meeting of the company, the board of directors shall authorize representatives to apply to the company registration authority for registration of the incorporation of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant administration for market regulation and a business license has been issued. Where a limited liability company is converted to a joint stock company with limited liability, the converted paid-up share capital shall not exceed its net assets. Where a limited liability company is converted to a joint stock company with limited liability, the public offering of shares for the purpose of capital increase shall be made in compliance with relevant laws.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as assets in kind, intellectual property rights, land use rights, equity interests or debts claims which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

According to Overseas Listing Trial Measures, a domestic enterprise that undertakes an initial public offering or listing overseas shall, within three business days after submitting the application documents for overseas issuance and listing, submit the application documents for issuance and listing to CSRC for filing. When a domestic enterprise is listed overseas, it may raise funds and pay dividends in a foreign currency or Renminbi.

Increase in Share Capital

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

After the issue of new share the company has been paid up, the change must be registered with the company registration authority and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

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Decrease in Share Capital

If a company needs to reduce its share capital, it shall prepare a balance sheet and an inventory of assets. The company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers or on the National Enterprise Credit Information Publicity System within 30 days of the resolution approving the reduction being passed. The creditors of the company may require the company to repay its debts or provide guarantees for covering the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she/it has not received any notification.

Repurchase of Shares

Under the PRC Company Law, a company may not repurchase its own shares other than for one of the following purposes: (i) reducing its registered capital; (ii) merging with other company which holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) acquiring its own shares at the request of its shareholders who vote in a general meeting against a resolution regarding a merger or division; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders’ equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the general meeting. For a company’s share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution shall be made at a meeting of the company’s board of directors attended by more than two-thirds of directors according to the provisions of the company’s articles of association or as authorized by the general meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company’s total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

The company shall not accept its shares as the subject matter of pledge.

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Transfer of Shares

Under the PRC Company Law, shares held by shareholders may be transferred in accordance with relevant laws and rules. A shareholder shall effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Transfer of shares may be made by the shareholders by endorsement or in any other manner specified by the laws or administrative regulations.

No changes of registration in the share register shall be effected during a period of 20 days prior to convening a general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies.

Under the PRC Company Law, shares of a joint stock company with limited liability issued prior to the public issuance of shares may not be transferred within one year of the date of the joint stock company with limited liability’s listing on a stock exchange. Where there are other provisions for the transfer of shares of a listed company held by the shareholders or the actual controllers of the company provided by laws, administrative regulations or relevant securities regulatory authorities under the State Council, such provisions shall prevail. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office as determined upon appointment, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company’s listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law and the Guidance, the rights of holders of ordinary shares of a joint stock company with limited liability include:

- the right to receive dividends and other distributions in proportion to the number of shares held;
- the right to attend in person or appoint a proxy to attend general meetings and to vote on the number of shares held thereat;
- the right to supervise the operations of the Company, and the right to present proposals or to raise enquiries;
- the right to transfer, gift or pledge its/his/her shares held in accordance with the applicable laws and rules and the articles of association;

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- the right to inspect the articles of association, register of shareholders, creditor’s rights stubs, minutes of the general meeting, resolutions of the board of directors, resolutions of the supervisory committee and financial accounting reports;
- the right to participate in residual properties of the company in proportion to their shareholdings upon the termination or liquidation of the company;
- the right to request the company to purchase its shares if any shareholder disagrees with the resolution of merger or division of the company made by the general meeting; and
- any other shareholders’ rights provided for in laws, rules and the articles of association.

The obligations of shareholders include the obligation to abide by the company’s articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company’s debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them, not to abuse the rights of shareholders to harm the interests of the company or other shareholders of the company, not to abuse the independent status of the company’s legal person and the limited liability to harm the interests of the company’s creditors, and any other shareholder obligation specified in the articles of association.

General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting exercises the following powers:

- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the supervisory committee;
- to examine and approve the company’s proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company’s registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;

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- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the supervisory committee proposes; or
- other circumstances as provided for in the articles of associations.

General meetings shall be convened by the board of directors, and presided over by the chairperson of the board of directors. In the event that the chairperson is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairperson. In the event that the vice chairperson is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary general meetings shall be given to all shareholders 15 days prior to the meeting. A single shareholder who holds, or several shareholders who jointly hold, no less than 1% of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices.

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Under the PRC Company Law, shareholders present at the general meeting have one vote for each share they hold, except the shareholders of classified shares. Shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and the other matters must be approved by way of resolution of the general meeting, the directors shall convene a general meeting promptly to vote on such matters by the general meeting.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders’ attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock company with limited liability, other than that of small scale or with a limited number of shareholders which may not have a board of directors, shall have a board of directors, which shall consist of 3 or more members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company’s staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the general meetings and report on its work to the general meetings;
- to implement the resolutions passed in general meetings;

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- to decide on the company’s business plans and investment proposals;
- to formulate the company’s profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company’s registered capital and the issuance of corporate bonds;
- to formulate plans for the merger, division, dissolution and change in the form of the company;
- to decide on the setup of the company’s internal management organs;
- to appoint or dismiss the company’s manager and decide on his/her remuneration and, based on the manager’s recommendation, to appoint or dismiss any deputy general manager and financial officer of the company;
- to formulate the company’s basic management system; and
- to exercise any other power under the articles of association.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisory committee. The chairperson shall convene and preside over such meeting within 10 days after receiving such proposal. When the board of directors convenes an interim meeting, the method and time limit of notice for convening the board of directors may be prescribed separately. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations, the articles of association or resolutions of general meetings, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempted from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company: (i) a person who is unable or has limited ability to undertake any civil liabilities; (ii) a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist market economic order, or who has

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been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence or less than two years have elapsed since the expiration of the probation period for suspended sentence; (iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise; (iv) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation or order; and (v) a person who has been listed as a dishonest person subject to enforcement by the people's court due to a relatively large amount of debts that are overdue. Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Under the PRC Company Law, the board shall appoint a chairperson and may appoint a vice chairperson.

The chairperson and the vice chairperson shall be elected with approval of more than half of all the directors. The chairperson shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairperson shall assist the chairperson to perform his/her duties. Where the chairperson is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairperson. Where the vice chairperson is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisory Committee

Under the PRC Company Law, a joint stock company with limited liability, other than that has an audit committee under the board of directors to exercise the powers of the supervisory committee or that of small scale or with a limited number of shareholders which may not have a supervisory committee, shall have a supervisory committee composed of not less than three members. The supervisory committee shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third of supervisors, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory committee shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise.

Each term of office of a supervisor is three years. After expiration of the term, he or she may serve consecutive terms if reelected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-

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elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The directors and senior management may not act concurrently as supervisors.

The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the chairman of the supervisory committee is incapable of performing or not performing his duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the vice chairman of the supervisory committee is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee.

The supervisory committee of a company shall hold at least one meeting every six months. Under the PRC Company Law, a resolution of the supervisory committee shall be passed by more than half of all the supervisors.

The supervisory committee exercises the following powers:

- to review the company’s financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of a general meeting;
- to require correction of those acts when the acts of directors and senior management are harmful to the company’s interests;
- to propose the convening of extraordinary general meetings and to convene and preside over general meetings when the board of directors fails to perform the duty of convening and presiding over general meetings under this law;
- to initiate proposals for resolutions to general meeting;
- to initiate proceedings against directors and senior management pursuant to Article 189 of the PRC Company Law;
- other powers specified in the articles of association; and

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- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company’s expense.

Manager and Senior Management

Under the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

A company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to manage the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company’s annual business plans and investment proposals;
- to formulate the plan of the company’s internal management organization;
- to formulate the general administration system of the company;
- to formulate the company’s detailed rules;
- to recommend the appointment and dismissal of any deputy managers and any person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);
- to attend board meetings; and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings. However, the manager has no right to vote at board meetings unless he/she is also a director.

Duties of Directors, Supervisors and Senior Management

Under the PRC Company Law, directors, supervisors and senior management of the company are required to comply with the relevant laws, administrative regulations and the articles of association, and have fiduciary and diligent duties to the company.

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Directors, supervisors and senior management are prohibited from:

- embezzling the company's properties or misappropriating of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- abusing their powers to accept any bribery or other illegal income;
- accepting and possessing commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential information of the company; or
- other acts in violation of their fiduciary duty to the company.

Without reporting to the board of directors or the general meeting and obtaining approval of the board of directors or the general meeting as required by the articles of association of the company, directors, supervisors and senior management shall not directly or indirectly enter into any contract or transaction with the company, take advantage of their positions to pursue business opportunities which otherwise are available to and could be taken by the company for the benefit of themselves or others, or operate a business similar to the business of the company they work for in favor of themselves or others. In voting for proposals for the aforementioned matters by the board of directors, interested directors shall not vote and their voting rights shall not be counted in the total valid votes. If the number of uninterested directors attending the meeting is less than three, relevant proposals shall be submitted to the general meeting for consideration.

Income generated by directors or senior management in violation of their duty of loyalty shall be returned to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

Where a director, supervisor or senior management is required to attend a general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. The supervisory committee may require directors and senior management to submit their reports on the performance of duties. Directors and senior management shall furnish all true information and data to the supervisory committee, without impeding the discharge of duties by the supervisory committee or supervisors.

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Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company’s shares consecutively for at least 180 days may request in writing that the supervisory committee institute litigation at a people’s court on its behalf. Where a supervisor violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people’s court on its behalf. If the supervisory committee or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company’s interests, such shareholder(s) shall have the power to institute litigation directly at a people’s court in its own name for the company’s benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people’s court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders’ interests, a shareholder may also institute litigation at a people’s court. Where the directors, supervisors and senior management of a wholly-owned subsidiary of a company fall into any of the aforementioned circumstances, or any other person infringes upon the lawful rights and interests of the wholly-owned subsidiary of the company and causes losses, the shareholders of the Company who individually or collectively hold no less than 1% of the company’s shares for more than 180 consecutive days may, in accordance with the aforementioned provisions, request in writing the supervisory committee and the board of directors of the wholly-owned subsidiary to bring a lawsuit to the people’s court or bring a lawsuit directly to the people’s court in their own name.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. The company shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

The company’s financial reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting. A joint stock company with limited liability which has issued shares to the public must publish its financial and accounting reports.

When distributing each year’s after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital). If its statutory common reserve fund is not sufficient to make up losses of the previous

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year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund. After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the general meeting, allocate discretionary common reserve fund from after-tax profits. The remaining after-tax profits after making up losses and allocation of discretionary common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Profits distributed to shareholders by a resolution of a general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium received by the company through issuance of shares at prices above par value, the proceeds from the issuance of no-par value shares and not counted in the registered capital, and other items required by relevant finance departments under the State Council to be allocated to the capital reserve fund shall be allocated to the company’s capital reserve fund. The company’s reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary common reserve and statutory common reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. Upon the conversion of statutory common reserve fund into increase in registered capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its capital shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by the general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

Distribution of Profits

Under the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

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Amendments to Articles of Association

Under the PRC Company Law, the resolution of a general meeting regarding any amendment to a company’s articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Any amendment to the articles of association must be made in accordance with the procedures prescribed in the articles of association. If the company registration matters are involved, it is necessary to go through the change registration with the registration authority.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association occurred; (ii) the general meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked, or the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people’s court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

The company shall, within ten days of the occurrence of any of the aforementioned reasons for dissolution, disclose the reasons for dissolution on the National Enterprise Credit Information Publicity System.

In the event of (i) or (ii) above, it may carry on its existence by amending its articles of association or passing a resolution at a general meeting. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending a general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company’s liquidation group shall be composed of its directors or the personnel appointed by the general meeting. If a liquidation group is not established within the stipulated period, interested parties of the company may apply to the people’s court and request the court to appoint relevant personnel to form the liquidation group. The people’s court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

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The liquidation group shall exercise the following powers during the liquidation period:

- to liquidate the company’s assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company’s outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to allocate the company’s remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company’s creditors within 10 days after its establishment and issue public notices in newspapers or on the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notice, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the general meeting or people’s court for confirmation. The company’s remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company’s properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company’s properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people’s court for bankruptcy liquidation. Following the acceptance of the bankruptcy application by the people’s court, the liquidation group shall hand over all matters relating to the liquidation to the bankruptcy administrator designated by the people’s court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the general meeting or the people’s court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to apply for deregistration. Members of the

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liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be liable for compensation of the losses caused to the company by their negligence in performing their liquidation duties. A member of the liquidation group is liable to indemnify the creditors in respect of any loss arising from his intentional or gross negligence.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Merger and Demerger

Under the PRC Company Law, companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

In the event of merger, the parties to the merger shall enter into a merger agreement and prepare a balance sheet and an asset list. The Company shall, within 10 days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper or on the National Enterprise Credit Information Publicity System within 30 days. The creditors may require the company to repay its debts or provide guarantees for covering the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she/it has not received any notification. In the case of a merger, the credits and debts of the parties involved shall be succeeded by the company that survives the merger or by the newly established company.

If the company is divided, its properties shall be divided accordingly. In the event of division, the parties to the division shall enter into a division agreement and prepare a balance sheet and an asset list. The company shall, within 10 days as of the day when the decision of division is made, notify the creditors and make a public announcement in a newspaper or on the National Enterprise Credit Information Publicity System within 30 days. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in a written agreement.

Where the merger or division of the company involves changes in its registered particulars, such changes shall be filed with competent administrative departments for industry and commerce pursuant to the law.

Should the company be dissolved, it shall be deregistered according to laws. If a new company is established, it shall go through the registration for company establishment according to laws.

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Overseas Listing

According to the Overseas Listing Trial Measures, a domestic enterprise that undertakes an overseas issuance and listing shall, within three business days after submitting the application documents for overseas issuance and listing, submit the application documents for issuance and listing to CSRC for filing. The remittances and cross-border flows of funds related to overseas issuance and listing of domestic enterprises shall comply with the relevant state regulations on cross-border investment and financing, foreign exchange management and cross-border Renminbi management.

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

This Appendix sets out a summary of the Articles of Association adopted on April 20, 2024, which will be effective from the date of [REDACTED] of H Shares on the Stock Exchange. As the purpose of this Appendix is to provide potential investors with an overview of the Articles of Association, it may not contain all the information that is important to investors. As stated in the “Appendix VIII – Documents Delivered to the Registrar of Companies and Available on Display” in this document, the full text of the Articles of Association in Chinese is available for inspection.

DIRECTORS AND BOARD OF DIRECTORS

Power to dispose of the assets of the Company or its subsidiaries

The Board of Directors shall formulate stringent examination and approval system to determine the authority with respect to external investment, acquisition and disposal of assets, mortgage of assets, external guarantee, entrusted wealth management and connected transactions of the Company. Major matters shall be carried out in strict accordance with the relevant system decision-making procedures, and submitted to the Shareholders’ meeting for approval.

Provision of financial assistance to purchase Shares of the issuer or its subsidiaries

The Company or its subsidiaries (including its affiliated enterprises) shall not, in form of a gift, advance, guarantee, compensation, loan or otherwise, provide any financial assistance to a person who purchases or intends to purchase the Shares of the Company.

Remuneration

The appointment and removal of members of the Board of Directors and the Supervisory Committee who are not employees’ representatives, as well as the method of remuneration and payment thereof, shall be approved by the Shareholders’ meeting by ordinary resolution.

Retirement, appointment and removal

The Company shall establish a Board which shall consist of seven Directors, including three independent non-executive Directors and one chairperson. At all times, more than one-third of the members of the Board shall be independent non-executive Directors, and the total number of independent non-executive Directors shall be not less than three, at least one of whom shall have appropriate professional qualifications in line with regulatory requirements, or appropriate accounting or related financial management expertise. The chairperson shall be appointed by a majority of all Directors.

Directors shall be elected or changed at the Shareholders’ meeting and serve a term of three years. A Director may serve consecutive terms if re-elected upon the expiry of his/her term. Where not otherwise provided by law, any Director (including a managing Director or other executive Director) may be removed by ordinary resolution at the Shareholders’ meeting before the expiration of his/her term of office; however such removal shall not prejudice to any claim for damages under any contract.

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The term of office of a Director shall commence from the date of taking the position until the expiry of the term of office of the current session of the Board. Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Director, the Director shall continue to perform the duties as a Director in accordance with the laws, administrative regulations, departmental rules and the Articles of Association until the newly elected Director assumes the office.

Subject to the regulatory rules of the place where the Shares of the Company are listed, a Director appointed by the Board to fill a casual vacancy on the Board or to increase the number of members of the Board shall hold office from the date of his/her appointment until the first annual general meeting after his/her appointment and shall be eligible for re-election at that time.

The general manager and other senior management officers may serve concurrently as Directors, provided that the total number of such Directors who concurrently serve as senior management officers and other senior management officers shall not exceed one half of the total number of the Directors of the Company.

The Board of Directors of the Company comprises no Directors who concurrently serve as employee representatives.

The Company's Directors shall be nominated in the following methods:

- (i) to be nominated by the Board of Directors of the Company;
- (ii) to be nominated by Shareholders who individually or collectively hold more than 3% of the total number of voting Shares outstanding of the Company;
- (iii) the Board, the Supervisory Committee, or Shareholders individually or collectively holding more than 1% of the issued Shares of the Company are entitled to nominate candidates for independent Directors to the Shareholders' meeting.

The list of candidates for election as Directors shall be submitted to the Shareholders' meeting for a vote.

The authorization and procedures for nomination of candidates for Directors are as follows:

- (i) when a re-election of the Board of Directors or a by-election of Director for the incumbent Board of Directors takes place, the incumbent Board of Directors and Shareholders individually or collectively holding over 3% of the Company's Shares may nominate candidates, based on the number of persons to be elected, for the position of Director for the next session of the Board of Directors or candidates for by-election as Director who are not employee representatives, and the nominated Director candidate shall meet the requirements of the competent authority for Director qualifications;

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- (ii) Shareholders who individually or collectively hold more than 3% of the total number of voting Shares of the Company are entitled to nominate candidates for Directors to the Shareholders' meeting.

When election of two or more Directors is voted at the Shareholders' meeting, the cumulative voting system can be applied. The Company separately formulates the Implementation Rules of the Cumulative Voting System.

The cumulative voting system referred to in the preceding paragraph means that each Share shall have the same voting right as the number of Directors or Supervisors to be elected, when election of Directors or Supervisors is voted at the Shareholders' meeting. The voting right held by Shareholders may be used collectively. The Directors elected shall be determined in order of the number of Directors eligible for election by the higher number of votes.

The Board of Directors shall provide the biographical details and basic particulars of the candidates for Directors to the Shareholders.

The general manager and other senior management officers may serve concurrently as Directors, provided that the total number of such Directors who concurrently serve as senior management officers and other senior management officers shall not exceed one half of the total number of the Directors of the Company. A person may not serve as a Director of the Company if any of the following circumstances apply:

- (i) a person who has no civil capacity or has limited civil capacity;
- (ii) a person who has been sentenced to criminal punishment for corruption, bribery, encroachment on property, misappropriation of property or sabotage of the order of the socialist market economy, and less than five years have elapsed since the completion of the sentence, or having been deprived of his/her political rights as a result of a criminal conviction and five years have not elapsed since the date on which execution of the sentence was completed;
- (iii) a person who has served as a Director, factory chief, or general manager of an insolvent and liquidated company or enterprise and is held personally liable for such bankruptcy, and three years have not elapsed since the date when the insolvency and liquidation of the company or enterprise is completed;
- (iv) a person who has served as the legal representative of a company or enterprise whose business license has been revoked or ordered to close down due to any violation of law, and is held personally liable for the revocation, and three years have not elapsed since the date when the revocation occurs;
- (v) a person who has a relatively large sum of debt, which was not paid at maturity;

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- (vi) a person who does not meet the requirements of the People’s Bank of China and relevant competent authorities on the qualifications of Directors;
- (vii) a person who has been banned from entering the securities market by the CSRC or the securities regulatory authority where the Company’s Shares are listed, and the deadline has not expired;
- (viii) other circumstances stipulated by laws, administrative regulations, or departmental rules.

The election, appointment or employment of the Directors shall be invalid if such election, appointment or employment is against this Article. If the Directors fall into the circumstances provided in the above-mentioned situations during their term of office, they would be dismissed by the Company.

Borrowing powers

The Board shall have the power to make a plan for the issue of bonds or other securities by the Company and such issue of bonds shall be subject to the approval of the Shareholders by special resolution at a general meeting.

ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

According to market changes and the needs of the Company’s business development, the Company may adjust the scope and mode of business. To adjust the business scope and mode, the Articles of Association of the Company shall be amended in accordance with the provisions of the Articles of Association and registered with the company registration authority. If the business scope of the adjustment is restricted by the PRC laws and administrative regulations, it shall be approved according to law.

VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Not applicable.

SPECIAL RESOLUTIONS – MAJORITY REQUIRED

The resolutions of the Shareholders’ meeting are categorized as ordinary resolutions and special resolutions.

An ordinary resolution can be adopted by one-half of the votes held by the Shareholders (including proxies) in attendance of the Shareholders’ meeting.

A special resolution can be adopted by two-thirds majority of the votes held by the Shareholders (including proxies) in attendance of the Shareholders’ meeting.

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VOTING RIGHTS (GENERALLY AND ON A POLL)

The Shareholder (or proxy) may exercise his or her voting rights in accordance with the number of Shares with voting power held with each Share representing one vote.

The Shares of the Company held by the Company shall not have voting rights, and these Shares shall not be included in the total number of voting Shares at a Shareholders’ meeting.

On the premise of complying with applicable laws, regulations and regulations of the securities regulatory authority where the Company’s Shares are listed, the Board of Directors, independent non-executive Directors and Shareholders who meet relevant requirements may publicly collect the voting rights from Shareholders. Information including the specific voting preference shall be fully disclosed to the Shareholders for whom voting rights are being collected. Consideration or de facto consideration for collecting Shareholders’ voting rights is prohibited. The Company shall not impose any minimum shareholding limitation for collecting voting rights, except for statutory conditions.

In accordance with related regulations of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, in the event that any Shareholder is required to abstain from voting on or may only vote for or against any resolution, such voting made in violation of relevant requirements or by imposition of restrictions on Shareholders (or their proxies) shall not be included into the total number of valid votes.

When a related party/connected transaction is considered at a Shareholders’ meeting, the related/connected Shareholders shall not vote, and the number of voting Shares they represent shall not be counted in the total number of valid voting Shares. The resolution of the Shareholders’ meeting shall adequately disclose information relating to the voting of non-related/connected Shareholders.

Under exceptional circumstances where a related party/connected Shareholder is unable to abstain from voting, the Company, after obtaining the consent of more than half of the voting rights held by a non-related party/connected Shareholder, may carry on the voting in accordance with normal procedures, and details of this shall be disclosed in the announcement on the resolutions of the Shareholders’ meeting.

The same voting right shall only select any one of the voting methods, namely voting on-site, voting online or other voting methods. Only the first voting result is viewed as valid for any multiple voting of the same voting right.

Shareholders attending a Shareholders’ meeting shall present one of the following views on the proposals submitted for voting: for, against or abstention. Save for the circumstance under which the securities registration and clearing institution acting as the nominal holder of Shares under the Mainland China and Hong Kong Stock Connect scheme, make reporting in accordance with the instruction of the de facto holders of relevant Shares.

Blank, wrong, illegible or uncast votes shall be deemed as the voters’ waiver of their voting rights, and the voting results representing the Shares held by such voters shall be counted as “abstentions”.

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REQUIREMENTS FOR GENERAL MEETINGS

The Shareholders' meetings are divided into annual general meetings and extraordinary general meetings. The Company shall hold an annual general meeting and an extraordinary general meeting in accordance with laws, administrative regulations, departmental rules, the securities regulatory authority where the Company's Shares are listed and the provisions of the Articles of Association to ensure that the Shareholders can exercise their rights according to law. The Board of Directors may convene a general meeting. The annual general meeting shall be convened once a year and be held within six months upon the end of the previous fiscal year.

ACCOUNTS AND AUDIT

Financial and accounting policies

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and the requirement of relevant regulatory departments of the PRC.

A financial report shall be prepared at the end of each financial year and shall be examined and verified according to laws. The Company shall lay its annual financial statements before its members at its annual general meeting within six months after the end of the financial year or accounting reference period to which the annual financial statements relate. The Company shall prepare, submit, disclose and submit to the Shareholders its annual report, including the annual accounts and the auditor's report in respect of such accounts (if the Company prepares group accounts, the annual accounts shall include the group accounts of the Company) or the summary financial report, in accordance with laws, regulations and the relevant requirements of the securities regulatory authority of the place where the Company's Shares are listed. Any other requirements as required by the securities regulatory authority at the place where the Shares of the Company are listed shall prevail.

The Company shall not establish account books other than those required by law. The assets of the Company shall not be deposited in any account opened under a personal name.

Appointment and Dismissal of Accounting Firm

The Company shall appoint an accounting firm meeting the requirements of the Securities Law to audit the financial statements and verify the net assets of, and provide other counseling services to, the Company. The accounting firm shall have a term of office of one year and may serve consecutive terms upon reappointment by the Company. The appointment of an accounting firm by the Company shall subject to approval of the Shareholders' meeting. The Board of Directors shall not appoint an accounting firm before the decision of the Shareholders' meeting. The Company undertakes to provide true and complete accounting vouchers, account books, financial statements and other accounting data to its accounting firm, and shall not refuse to provide, conceal or falsely report any information.

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The auditor's fees payable to the accounting firm shall be decided by the Shareholders' meeting. If the Company intends to remove or terminate the appointment of an accounting firm, the Company shall give 30 days' notice to such accounting firm. When the Shareholders' meeting votes on the removal of an accounting firm, such accounting firm shall be given an opportunity to express its opinions.

If any accounting firm offers to resign, it shall explain to the Shareholders' meeting whether the Company has engaged in any misconduct.

NOTICE OF MEETING AND MATTERS TO BE CONSIDERED

The Shareholders' meeting is the organ of authority of the Company, which exercises its functions and powers in accordance with laws:

- (i) to decide on operational policies and investment plans of the Company;
- (ii) to elect and replace the Directors and Supervisors who are not employee representatives, and to decide on matters relevant to remuneration of Directors and Supervisors;
- (iii) to consider and approve reports of the Board;
- (iv) to consider and approve reports of the Supervisory Committee;
- (v) to consider and approve annual financial budget plans and final accounting plans of the Company;
- (vi) to consider and approve the profit distribution plan and loss recovery plan of the Company;
- (vii) to determine the increases or decrease of the registered capital of the Company;
- (viii) to determine the issuance of corporate bonds;
- (ix) to determine matters such as the merger, division, dissolution, liquidation or change of corporate structure;
- (x) to amend the Articles of Association;
- (xi) to determine the appointment and removal of accounting firm by the Company;
- (xii) in order to prevent Shareholders and their related/connected parties from occupying or transferring funds, assets and other resources of the Company, the Company shall formulate related/connected transaction system, external guarantee system and other documents and submit them to the Shareholders' meeting for deliberation;

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- (xiii) to consider matters relating to the purchases and disposals of material assets and external investments, which are more than 30% (inclusive) of the latest audited total assets of the Company, within one year;
- (xiv) to consider and approval of change of use of proceeds;
- (xv) to consider and approval of Share incentive scheme and employee Share ownership scheme;
- (xvi) to review other matters which, in accordance with laws, administrative regulations, departmental rules, the listing rules of the places where the Shares of the Company are listed, or the provisions of the Articles of Association, shall be approved at a Shareholders' meeting.

The duties and powers of the Shareholders' meeting set forth above shall not be exercised by the Board of Directors or other institutions and individuals on its behalf by way of authorization.

The Company shall convene an extraordinary general meeting within two months upon occurrence of the following events:

- (i) when the number of Directors is less than the number stipulated in the Company Law or two-thirds of the number specified in the Articles of Association;
- (ii) when the unrecovered losses of the Company amount to one-third of the total amount of its paid-up Share capital;
- (iii) at the request of Shareholder(s) individually or collectively holding more than 10% of the Company's Shares;
- (iv) when the Board of Directors considers necessary;
- (v) when the Supervisory Committee proposes to convene such meeting;
- (vi) any other circumstances stipulated by laws, administrative regulations, departmental regulations, the securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

The number of Shares held by the Shareholders as mentioned in item (iii) above shall be such number of the Shares as of the date on which the written request is submitted.

When a Shareholder requests to convene an extraordinary general meeting, it shall proceed according to the following procedures:

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Shareholders individually or collectively holding 10% or more of the Shares in the Company shall have the right to request the Board in writing to convene an extraordinary general meeting. The Board shall, in accordance with laws, administrative regulations and the Articles of Association, give a written reply on whether or not it agrees to convene such an extraordinary general meeting within ten days after receiving the proposal from the abovementioned Shareholders.

If the Board agrees to convene such an extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. Any change made to the original request in the notice shall be approved by the relevant Shareholders.

If the Board does not agree to convene such an extraordinary general meeting, or fails to make a reply within 10 days upon receipt of the request, the Shareholders individually or collectively holding 10% or more of the Shares of the Company shall have the right to propose that the Supervisory Committee convene an extraordinary Shareholders' meeting. Such request shall be made to the Supervisory Committee in writing.

If the Supervisory Committee agrees to convene such an extraordinary general meeting, a notice of such meeting shall be issued within five days upon receipt of the request. Any change made to the original request in the notice shall be approved by the relevant Shareholders.

If the Supervisory Committee fails to issue the notice convening such a meeting within the period specified hereinabove, it shall be deemed to have failed to convene and preside over such meeting. Shareholders individually or collectively holding 10% or more of the Shares in the Company for 90 consecutive days or longer period may convene and preside over such meeting on their own.

If the Supervisory Committee agrees to convene an extraordinary general meeting, a notice of such meeting shall be issued within five days upon receipt of the request. Any change made to the original request in the notice shall be approved by the relevant Shareholders.

If the Supervisory Committee fails to issue the notice of convening an extraordinary general meeting within the period specified hereinabove, it shall be deemed to have failed to convene and preside over such meeting. Shareholders individually or collectively holding 10% or more of the Shares in the Company for 90 consecutive days or longer period may convene and preside over such meeting on their own.

When an independent non-executive Director requests to convene an extraordinary general meeting, it shall proceed according to the following procedures:

Independent non-executive Directors shall be entitled to propose to the Board of Directors to convene an extraordinary general meeting. Regarding the proposal requesting to convene an extraordinary general meeting by the independent non-executive Directors, the Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, inform in writing whether it agrees or disagrees to convene an extraordinary general meeting within ten days upon receipt of the proposal.

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If the Board of Directors agrees to convene an extraordinary general meeting, the Board of Directors shall issue a notice to convene the meeting within five days after it passed a resolution thereon. If the Board of Directors refuses to convene an extraordinary general meeting, the Board of Directors shall explain the reason and publish an announcement in accordance with laws, rules and the provisions of the places where the Shares of the Company are listed.

When the Supervisory Committee requests to convene an extraordinary general meeting, it shall proceed according to the following procedures:

The Supervisory Committee shall be entitled to propose to the Board of Directors to convene an extraordinary general meeting, and shall put forward its proposal to the Board of Directors in writing. The Board shall, pursuant to the laws, administrative regulations and the Articles of Association, inform in writing whether it agrees or disagrees to convene the extraordinary general meeting within ten days upon receipt of the proposal.

If the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice to convene the meeting within five days after it passed a resolution thereon, provided that no change shall be made to the proposal in such notice without the consent of the Supervisory Committee.

If the Board of Directors does not agree to convene an extraordinary general meeting, or fails to respond within ten days upon receipt of the proposal, the Board of Directors shall be deemed to be unable or fail to perform its duties to convene a Shareholders' meeting, and the Supervisory Committee may convene and preside over a Shareholders' meeting on its own.

If the Supervisory Committee or any Shareholder(s) decides to convene a Shareholders' meeting by itself/themselves, the Supervisory Committee or the relevant Shareholder(s) shall notify the Board of Directors in writing

The necessary costs of any Shareholders' meeting convened by the Supervisory Committee or any Shareholder(s) shall be borne by the Company.

For an annual general meeting, the convener shall notify all Shareholders by way of announcement 20 days before the meeting (excluding the date of such meeting); for an extraordinary general meeting, the convener shall notify all Shareholders by way of announcement 15 days before the meeting (excluding the date of such meeting). When calculating the required time periods mentioned above, the date of the meeting shall not be included. Relevant laws, rules and the provisions of the places where the Shares of the Company are listed shall prevail. The Board, the Supervisory Committee, and Shareholder(s) individually or collectively holding more than 3% of the Company's Shares shall have the right to submit proposed resolutions to the Company for a Shareholders' meeting of the Company.

The Shareholder(s), who individually or collectively hold(s) 3% or more of the Shares, may submit ad hoc proposals in writing to the convener 10 days before the convening of the Shareholders' meeting. The convener shall issue a supplemental notice of the Shareholders' meeting within two days upon receipt

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of the proposals to announce the contents of the ad hoc proposals to the Shareholder(s). The Shareholders' meeting shall not vote and make resolutions on any proposal that is not listed in the notice of the Shareholders' meeting or does not comply with the foregoing provisions.

The notice of the Shareholders' meeting contains the following:

- (i) the date, venue and duration of the meeting;
- (ii) matters and proposals submitted for consideration at the meeting;
- (iii) an obvious statement that all Shareholders are entitled to attend the Shareholders' meeting in person, or appoint in writing proxies to attend and vote on his or her behalf and that such proxies need not be Shareholders of the Company, if a Shareholder has appointed a proxy to attend any meeting, it shall be deemed to be present in person;
- (iv) the Share registration date for Shareholders entitled to attend the annual general meeting;
- (v) the name and telephone number of the permanent contact person;
- (vi) the time and procedure for voting by internet or other means.

The notice and supplementary notice of a Shareholders' meeting shall adequately and completely disclose the specific contents of all proposals. In the event that the Shareholders' meeting is held via other means, the voting time and procedures via other means shall be clearly set out in the notice of the Shareholders' meeting.

TRANSFER OF SHARES

The Shares of the Company can be transferred in accordance with laws. Shareholder shall promptly inform the Company upon the transfer of Shares by way of agreement, and register the transfer with the registration authority for Shares.

The Company will not accept any pledge with the Shares of the Company as the subject.

No Shares of the Company held by promoters are allowed to be transferred within one year from the date of the establishment of the Company. No Shares issued before the public offering of the Company shall be transferred within one year from the first day on which the Shares of the Company are listed and traded on a stock exchange.

Directors, Supervisors and senior management members of the Company shall report to the Company their shareholdings in the Company and changes therein and shall not transfer annually during their term of office more than 25% of the total number of Shares of the Company which they hold; the Shares of the Company held by them shall not be transferred within one year from the first day on which the Shares of the Company are listed and traded. The aforesaid persons shall not transfer the Shares of the Company held by them within six months from the date of their leaving the Company.

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If Directors, Supervisors or senior management members of the Company sell their domestic Shares or other securities with the nature of equity within six months from the date of acquisition, or purchase Shares or other securities with the nature of equity within six months from the date of disposal, the resulting gains shall belong to the Company and the Board shall recover the resulting gains. However, securities companies holding 5% or more of the Company’s Shares as a result of the purchase of the remaining Shares under underwriting, and other circumstances stipulated by the CSRC are excluded.

The Shares or other securities with the nature of equity held by Directors, Supervisors, senior management members and individual Shareholders referred to in the preceding paragraph shall include the Shares or other securities with the nature of equity held by their spouses, parents, children, and those held through the accounts of others.

POWER OF THE ISSUER TO REPURCHASE ITS OWN SHARES

The Company may, in the following circumstances, acquire its Shares in accordance with laws, administrative regulations, department rules, the Listing Rules of the Hong Kong Stock Exchange and the requirement of the Articles of Associations:

- (i) When reducing the registered capital of the Company;
- (ii) When merging with any other companies holding Shares of the Company;
- (iii) When Shares being used in the employee stock ownership plan or as equity incentive;
- (iv) When Shareholders objecting to resolutions of the Shareholders’ meeting concerning merger or division of the Company require the Company to buy their Shares;
- (v) When Shares being used to satisfy the conversion of corporate bonds convertible into Shares issued by the Company;
- (vi) When safeguarding corporate value and Shareholders’ equity as the Company deems necessary;
- (vii) Other circumstances as stipulated by the laws, administrative regulations and the listing rules of the securities regulatory authority of the place where the Shares of the Company are listed.

Save as aforementioned, the Company shall not trade in its Shares.

The acquisition of the Company’s Shares by the Company may be carried out by means of public centralized trading, or other means approved by laws, administrative regulations, the CSRC and the securities regulatory authority of the place where the Shares of the Company are listed.

In the event that the Company repurchases its Shares in the circumstances set out in items (iii), (v) and (vi), such repurchase shall be conducted through public centralized trading.

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Where the Company repurchases its Shares in the circumstances set out in items (i) and (ii) above, it shall be subject to approval at the Shareholders' meeting; where the Company repurchases its Shares in the circumstances set out in items (iii), (v) and (vi) of Sub-clause 1 of Article 28 to the Articles of Association, it may be resolved by more than two-thirds of Directors present at a meeting of the Board in accordance with the Articles of Association or the authorization of the Shareholders' meeting.

In the event that the Company repurchases its Shares in accordance with the above provisions, such Shares shall be cancelled within 10 days upon such repurchase in the circumstance set out in item (i); or shall be transferred or cancelled within 6 months in the circumstances set out in items (ii) and (iv).

The number of Shares repurchased by the Company shall not exceed 10% of the total issued Shares of the Company, and shall be transferred or cancelled within 3 years in the circumstances set out in items (iii), (v) and (vi).

If it is otherwise provided in relevant laws, administrative rules and the relevant requirements of the securities regulatory authorities at the place where the Company's Shares are listed regarding the relevant events in respect of repurchase of the Shares above, such provisions shall prevail.

DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

Where the Company distributes its after-tax profits of the current year, it shall draw 10% of the profits as the Company's statutory common reserve. The Company may stop drawing if the accumulative balance of the common reserve has already accounted for over 50% of the Company's registered capital.

If the accumulative balance of the Company's statutory common reserve is not enough to make up for the losses of the Company of the previous year, the current year's profits shall first be used for making up the losses before the statutory common reserve is drawn there from according to the provisions of the preceding paragraph.

After the Company draws the statutory common reserve from the after-tax profits, it may, upon a resolution made by the Shareholders' meeting, draw a discretionary common reserve from the after-tax profits.

After the losses have been made up and common reserves have been drawn, the remaining profits shall be distributed to in light of the proportions of Shares held by Shareholders, unless it is not permitted in the Articles of Association to distribute profits according to the proportions of Shares held by Shareholders.

If the Shareholders' meeting distributes the profits by violating the provisions of the preceding paragraph before the losses are made up and the statutory common reserves are drawn, the profits distributed must be refunded to the Company.

No profit shall be distributed in respect of the Shares of the Company which are held by the Company.

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The reserve of the Company is used to make up the Company’s losses, increase the production operation of the Company or increase the Company’s capital. However, the capital reserve shall not be used to make up the Company’s losses.

When legal reserve funds are converted into capital, the remaining balance of that reserve fund shall not be less than 25% of the registered capital of the Company before the conversion.

The Company’s profit distribution policy shall be:

- (i) Principle of profit distribution: The Company implements continuous and stable profit distribution policy. The Company’s profit distribution shall attach importance to the investors’ reasonable investment return while taking into account the immediate interests and long-term interests of Shareholders to ensure the sustainable development of the Company.
- (ii) Means of profit distribution: The Company may distribute dividends in the form of cash or Shares or the combination of cash and Shares or other methods permitted by laws and rules.

PROXIES

An individual Shareholder that attends the meeting in person shall produce his or her own ID card or other valid documents or proof evidencing his or her identity. If he or she appoints a proxy to attend the meeting on his or her behalf, the proxy shall produce his or her own valid proof of identity and the instrument of appointment from the Shareholder.

Shareholders that are legal persons shall be presented at a meeting by their legal representative or a proxy appointed by the legal representative. If the legal representative attends the meeting, he or she shall produce his or her own ID card and a valid proof of his or her legal representative status. If a proxy has been appointed to attend the meeting, such proxy shall present his or her own ID card and the power of attorney issued by the legal representative of the Shareholder as a legal person.

Where a Shareholder is a recognized clearing house (hereinafter referred to as the “**Recognized Clearing House**”) defined in the relevant ordinances enacted by Hong Kong from time to time, or its agent, the Recognized Clearing House may authorize one or more persons that it deems suitable to attend on its behalf any meeting or any class meeting of Shareholders or any meeting of the creditors; however, if more than one person is authorized, the power of attorney shall specify the number and class of Shares involved in the appointment of each such person. The person so appointed may exercise the rights (should present his or her or their personal identification, without being required to present Share certificate, certified statement of proxy and/or further evidence of due authorization) on behalf of the Recognized Clearing House (or its agent) and shall be entitled to the same legal rights as other Shareholders, including the right to speak and vote, as if he, she or they was or were (an) individual Shareholder(s) of the Company. For the avoidance of doubt, if more than one proxy is appointed by the Recognized Clearing House (or its agent), each proxy may cast one vote on a show of hands and is not required to cast all his or her votes in the same way on a poll.

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The power of attorney issued by the Shareholder to appoint a proxy to attend the Shareholders' meeting shall include the following contents:

- (i) Name of the proxy;
- (ii) Whether he/she has the right to vote;
- (iii) Instructions on voting for or against or abstaining from voting in respect to each matter set out in the agenda of the Shareholders' meeting;
- (iv) If the proxy is vested in voting rights for any new motions that may be proposed in the Shareholders' meeting. If the proxy enjoys such rights, the specific instruction as to how he shall vote;
- (v) Issuing date and validity period of the power of attorney;
- (vi) Signature (or stamp) of the principal. If the principal is a corporate Shareholder, the power of attorney shall be stamped with the corporate seal of the corporate Shareholder

The power of attorney shall contain a statement that in the absence of instructions from the Shareholder the proxy may vote as he/she thinks fit.

If the power of attorney is signed by a person authorized by the principal, the power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents and the power of attorney shall be placed at the domicile of the Company or at such other place as specified in the notice convening the meeting.

If the principal is a legal person, its legal representative or such person as is authorized by resolution of its board of directors or other governing body to act as its representative may attend the Shareholders' meeting of the Company.

INSPECTION OF REGISTER OF MEMBERS AND OTHER RIGHTS OF SHAREHOLDERS

The register of members established by the Company in accordance with the laws shall be sufficient evidence of shareholdings in the Company.

A Shareholder shall enjoy rights and assume obligations according to the class of Shares held by him/her; Shareholders who hold existing Shares of the same class shall enjoy the equal rights and assume the equal obligations. The Company shall provide a Hong Kong branch register of members for inspection by Shareholders, provided that the Company may suspend the registration of Shareholders in accordance with applicable laws and regulations and the securities regulatory rules of the place where the Company's Shares are listed, if needed.

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SUMMARY OF THE ARTICLES OF ASSOCIATION

When the Company convenes a Shareholders' meeting, distributes dividends, liquidates, or engages in other activities that require confirmation of Shareholder identity, the Board of Directors or the convener of the Shareholders' Meeting shall determine the Share registration date. After the Share registration date is closed, the registered Shareholders shall be the Shareholders who enjoy the relevant rights and interests.

RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION THEREOF

If Directors and senior management personnel violate laws, administrative regulations, or the provisions of the Articles of Association while performing their duties, causing losses to the Company, Shareholders who individually or jointly hold more than 1% of the Company's Shares for more than 180 consecutive days have the right to request in writing that the Supervisory Committee file a lawsuit with the people's court; If the Supervisory Committee violates laws, administrative regulations, or the provisions of the Articles of Association while performing its duties, causing losses to the Company, the aforementioned Shareholders may request in writing that the Board of Directors file a lawsuit with the people's court.

If the Supervisory Committee or the Board of Directors refuses to file a lawsuit after receiving a written request from the Shareholders specified in the preceding paragraph, or fails to file a lawsuit within 30 days from the date of receiving the request, or if the situation is urgent and the failure to file a lawsuit immediately will cause irreparable damage to the Company's interests, the Shareholders specified in the preceding paragraph have the right to directly file a lawsuit in their own name to the people's court for the benefit of the Company.

If another person infringes on the legitimate rights and interests of the Company and causes losses to the Company, the Shareholders specified in the first paragraph of this Article may file a lawsuit with the people's court in accordance with the provisions of the preceding two paragraphs.

If Shareholders of the Company abuse their Shareholder rights and cause losses to the Company or other Shareholders, they shall bear compensation liability in accordance with the law. If a Company's Shareholders abuse the independent status of the Company's legal person and the limited liability of Shareholders, evade debts, and seriously harm the interests of the Company's creditors, they shall bear joint and several liability for the Company's debts.

The controlling Shareholders and actual controllers of the Company shall not use their affiliated/related relationships to harm the interests of the Company. Those who violate regulations and cause losses to the Company shall be liable for compensation.

The controlling Shareholders and actual controllers of the Company have a fiduciary obligation towards the Company and other Shareholders of the Company. The controlling Shareholder shall strictly exercise the rights of the sponsor in accordance with the law. The controlling Shareholder shall not use profit distribution, asset restructuring, external investment, fund occupation, loan guarantee, etc. to harm the legitimate rights and interests of the Company and other Shareholders, and shall not use their controlling position to harm the interests of the Company and other Shareholders. If the controlling Shareholders and actual controllers violate laws, rules, or the provisions of the Articles of Association and cause losses to the Company and other Shareholders, they shall bear compensation liability.

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PROCEDURES ON LIQUIDATION

The Company shall be dissolved for any of the following reasons:

- (i) the expiration of the business term specified in the Articles of Association or the occurrence of other dissolution reasons specified in the Articles of Association;
- (ii) the Shareholders' meeting resolves for dissolution;
- (iii) dissolution is required due to the merger or division of the Company;
- (iv) the business license has been revoked, ordered to close down or cancelled in accordance with the law;
- (v) the Company is dissolved by a people's court in response to the request of Shareholders holding Shares that represent more than 10% of the voting rights of all Shareholders, on the grounds that there are serious difficulties in the operation and management of the Company and its continued existence will cause significant losses to the interests of Shareholders, which cannot be resolved through other means.

The Company may continue to exist by amending the Articles of Association in the event of the circumstance as set forth in item (i).

The amendment to the Articles of Association according to the preceding paragraph shall be passed by two-thirds of the voting rights held by Shareholders present at the Shareholders' meeting.

In the case of dissolution of the Company under items (i), (ii), (iv) and (v) of the preceding paragraph, a liquidation committee shall be formed to commence liquidation within 15 days from the date of occurrence of events giving rise to dissolution. The members of the liquidation committee shall be other persons appointed by Directors or the Shareholders' meeting. Where a liquidation committee is not formed according to schedule, the creditors may apply to the people's court to designate the liquidation committee to proceed with the liquidation. In the case of dissolution of the Company under item (iv) of the preceding paragraph, the people's court shall, in accordance with the provisions of relevant laws, organize the Shareholders, relevant departments and professionals to form a liquidation committee to proceed with the liquidation. In the case of dissolution of the Company under the provisions of the preceding paragraph, the competent department shall organize the Shareholders, relevant departments and professionals to form a liquidation committee to proceed with the liquidation.

The liquidation committee may exercise following powers during the liquidation:

- (i) to dispose of the Company's assets and to prepare a balance sheet and an inventory of assets;
- (ii) to notify the creditors or publish announcements;

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- (iii) to deal with any outstanding business of the Company related to the liquidation;
- (iv) to pay tax owed together with any tax arising during the liquidation process;
- (v) to settle claims and liabilities;
- (vi) to handle the Company's remaining assets after its debts have been paid off;
- (vii) to represent the Company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification.

A creditor shall, in making his claim, state all matters relevant to his creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights.

The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the Company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a Shareholders' meeting or a people's court for endorsement.

The remaining assets of the Company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the Company's debts, shall be distributed to Shareholders in proportion to Shares held by them.

The Company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The Company's property shall not be distributed to Shareholders before settlements are made in accordance with the requirements described above.

Upon liquidation of the Company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the Company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws.

Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the Shareholders' meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the Company registration authority to cancel the Company's registration, and an announcement of its termination shall be published.

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Members of the liquidation committee are required to perform their duties in good faith and in compliance with relevant laws.

Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the Company’s properties.

Members of the liquidation committee are liable to indemnify the Company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of the Company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

OTHER PROVISIONS MATERIAL TO THE ISSUER OR THE SHAREHOLDERS THEREOF

General Provisions

The Company is a joint stock limited company with perpetual existence.

The registered capital of the Company is divided into Shares of equal value. The Shareholders shall bear responsibilities to the Company within the scope of the number of Shares they subscribe for and the Company shall be responsible for the debts of the Company by all of its assets.

As of the effective date of the Articles of Association, the Articles of Association shall be a legally binding document which regulates the Company’s organization and acts, governs the rights and obligations between the Company and the Shareholders, and amongst the Shareholders themselves, and shall constitute a legally binding document governing on the Company, its Shareholders, Directors, Supervisors, senior management members. Pursuant to the Articles of Association, a Shareholder may take action against the other Shareholders, and the Shareholders may take action against the Company’s Directors, Supervisors, general manager and other senior management members. The Shareholders may take action against the Company. The Company may take action against its Shareholders, Directors, Supervisors and other senior management members.

Increase/decrease of Share capital

In light of the Company’s operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations and subject to a resolution of the Shareholders’ meeting, by any of the following methods:

- (i) a public offering of Shares;
- (ii) a private placement of Shares;
- (iii) an allotment of bonus Shares to existing Shareholders;

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

- (iv) a conversion of reserve funds to Share capital;
- (v) other methods permitted by laws and administrative regulations.

Where the Company reduces its registered capital, it shall produce balance sheets and inventory.

The Company shall, within ten days from the day of the adoption of the resolution to reduce its registered capital, inform creditors of the decrease, and, within thirty days from the same, make announcement of the decrease on newspapers at or above the provincial level. Within thirty days after receipt of the notices or, for those not receiving the notices, within forty-five days after publication of the announcement, the creditors are entitled to require the Company to repay the loans or to provide corresponding guarantees.

The reduced registered capital of the Company shall not be less than the statutory minimum.

Shareholders

Shareholders of the Company shall enjoy the following rights:

- (i) the right to dividends and other distributions in proportion to the number of Shares held;
- (ii) the right to apply for, convene, preside, attend or appoint proxies to attend Shareholders’ meetings and to exercise the corresponding right to vote;
- (iii) the right to supervise, present proposals or raise enquiries in respect of the Company’s business operations;
- (iv) the right to transfer, give as a gift or pledge the Shares it holds in accordance with laws, administrative regulations, the securities regulatory authority where the Company’s Shares are listed and the Articles of Association;
- (v) the right to inspect the Articles of Association, Register of Shareholders, corporate bond stubs, minutes of Shareholders’ meetings, resolutions of the Board of Directors and resolutions of the Supervisory Committee and accounting reports;
- (vi) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining property of the Company in proportion to the number of Shares held;
- (vii) Shareholders who object to resolutions of merger or division made by the Shareholders’ Shareholders’ meeting may have the right to request the Company to purchase Shares held;
- (viii) Other rights provided for by laws, administrative regulations, department rules, the securities regulatory authority where the Company’s Shares are listed or the Articles of Association.

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

Shareholders of the Company shall have the following obligations:

- (i) to abide by laws, administrative regulations and the Articles of Association;
- (ii) to pay the Share subscription price based on the Shares subscribed for by them and the method of acquiring such Shares;
- (iii) not to return Shares unless prescribed otherwise in laws and rules;
- (iv) not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to harm the interests of the Company's creditors;

Any Shareholder who abuses Shareholders' rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any Shareholder who abuses the status of the Company as an independent legal entity or the limited liability of Shareholders to evade debts and severely harm the interests of the Company's creditors shall assume joint and several liability for the Company's debts;

- (v) to assume other obligations required by laws, administrative regulations, the securities regulatory authority where the Company's Shares are listed and the Articles of Association.

Where a Shareholder holding 5% or above of voting Shares of the Company pledges any Shares in his possession, he shall report the same to the Company in writing on the day on which he pledges his Shares.

The controlling Shareholders and the de facto controllers of the Company shall not use the affiliated/connected relations to damage the interests of the Company; otherwise, they shall make compensation for the loss incurred by the Company.

The Board of Directors

The Board of Directors shall exercise the following functions and powers:

- (i) to convene Shareholders' meetings and report to the Shareholders' meetings;
- (ii) to implement resolutions of the Shareholders' meetings;
- (iii) to decide on the Company's business plans and investment plans;
- (iv) to formulate the annual financial budgets and final accounts of the Company;
- (v) to formulate the Company's profit distribution plans and plans on making up losses;

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

- (vi) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and the listing of Shares of the Company;
- (vii) to formulate plans for the Company's major acquisition, repurchase the Shares of the Company, or merger, division, dissolution or change of corporate form of the Company;
- (viii) to decide on matters such as investments, purchase and sale of assets, pledge of assets, external guarantee, entrustment of financial management, and related party/connected transactions of the Company within the scope of authorization by the Shareholders' meeting;
- (ix) to decide on establishment of internal management organs of the Company;
- (x) to decide on the appointment or dismissal of the Company's general manager and secretary of the Board; to decide on the appointment or dismissal of senior management personnel such as executive general manager, deputy general manager, assistant general manager and financial officer as nominated by the general manager, and to decide on matters of their remuneration and rewards and punishments;
- (xi) to formulate the basic management system of the Company;
- (xii) to formulate proposals to amend the Articles of Association;
- (xiii) to manage the Company's information disclosures;
- (xiv) to propose to the Shareholders' meeting the appointment or replacement of the accounting firm that provides audit service to the Company;
- (xv) to listen to work reports of the general manager of the Company and review his/her work;
- (xvi) to assume the ultimate responsibility for money laundering risk management and perform the following duties: establishing the objectives of building a money-laundering risk management culture, reviewing and finalizing money-laundering risk management strategies, empowering senior management to take the lead on money laundering risk management, approving policies and procedures for money laundering risk management, regularly reviewing anti-money laundering work reports, keeping abreast of major money laundering risk events and treatment, and exercising other powers and duties provided for by relevant laws, administrative regulations, department rules and normative documents;
- (xvii) to exercise other functions and powers as stipulated by laws, administrative regulations, department rules, regulatory rules of the place where the Shares of the Company are listed or the Articles of Association.

Matters beyond the scope of authorization of the Shareholders' meeting shall be submitted to the Shareholders' meeting for deliberation.

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SUMMARY OF THE ARTICLES OF ASSOCIATION

The Board of Directors shall hold regular meetings at least four times a year at approximately quarterly intervals, which shall be convened by the chairperson and notified in writing to all Directors and Supervisors 14 days before the meeting is held. It is expected regular Board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of Directors entitled to be present. Therefore, a regular meeting does not include obtaining the approval from the Board through circulating written resolutions.

Any Shareholder(s) holding more than one-tenth voting rights and more than one-third of the Directors or the Supervisory Committee may propose the holding of an extraordinary meeting of the Board. The chairperson shall convene and preside over a Board meeting within 10 days after receipt of such proposal.

Meetings of the Board of Directors shall be held only if more than half of the Directors are present. Resolutions of the Board shall be passed by more than half of all Directors. External guarantee matters approved by the Board of Directors shall also be considered, approved and resolved by more than two-thirds of Directors who are attending the meeting of the Board of Directors.

Each Director shall have one vote for a resolution to be approved by the Board. Directors shall attend Board meetings in person. If a Director is unable to attend for any reason, he/she may appoint another Director to attend the meeting on his/her behalf by a written power of attorney specifying the name of the proxy, the proxy matters, scope of authorization (including voting instructions) and duration of validity, which shall be signed or sealed by the principal. A Director who attends the meeting as a representative of another Director shall exercise the right within the scope of authorization. If a Director is unable to attend a Board meeting in person and has not appointed a representative to attend on his/her behalf, he/she shall be deemed to abstain from voting at such meeting.

Independent Non-executive Director

The Board of the Company shall have independent non-executive Directors. The number of independent non-executive Directors shall be three, accounting for not less than one-third of the Board. At least one independent non-executive Director shall have appropriate professional qualifications or appropriate accounting or related financial management expertise, and one independent non-executive Director shall be resident in Hong Kong.

Secretary of the Board of Directors

Our Company shall establish a secretary to the Board of Directors, responsible for the preparation of the Company's Shareholders' meeting and Board meeting, retention of documents, management of the Company's Shareholder materials handling of information disclosure matters, and other matters.

The secretary of the Board of Directors shall abide by laws, administrative regulations, departmental rules and the relevant provisions of the Articles of Association.

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

Supervisory Committee

Our Company has a Supervisory Committee, consisting of three Supervisors.

The Supervisory Committee has one chairperson, who shall be elected by a majority of all Supervisors.

The chairperson of the Supervisory Committee convenes and presides over meetings of the Supervisory Committee. If the chairperson of the Supervisory Committee is unable or fails to perform his duties, a Supervisor jointly elected by more than half of the Supervisors shall convene and preside over the Supervisory Committee meeting.

The Supervisory Committee shall include Shareholder representatives and an appropriate proportion of Company employee representatives, with the proportion of employee representatives not less than one-third.

Shareholders' representatives in the Supervisory Committee shall be elected by the Shareholders' meeting; and employee representatives in the Supervisory Committee are democratically elected by the Company's employees through the employee representatives' meeting.

The Supervisory Committee shall exercise the following functions and powers:

- (i) to review and give written opinions on the periodic reports of the Company prepared by the Board of Directors;
- (ii) to examine the Company's financial matters;
- (iii) to supervise the performance by the Directors and senior management of their duties to the Company and propose the dismissal of the Directors and senior management who violates laws, administrative regulations, the Articles of Association or the resolutions of the Shareholders' meeting;
- (iv) to demand rectification from the Directors and senior management when the acts of such persons are harmful to the Company's interests;
- (v) to propose the convening of extraordinary Shareholders' meetings; to convene and preside the Shareholders' meetings in the event that the Board of Directors fails to perform its duties to convene and preside the Shareholders' meetings in accordance with the Company Law;
- (vi) to submit proposals to the Shareholders' meetings;
- (vii) to file lawsuits against Directors and senior management in accordance with Article 151 of the Company Law;

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

- (viii) in case of any abnormal matters during the business operation of the Company, to investigate, and if necessary, to engage professionals such as accounting firms or law firms to assist its work with expenses being borne by the Company;
- (ix) to be responsible for the supervision of money laundering risk management, and shall be responsible for supervising the performance of due diligence of the Board and senior management in money laundering risk management and supervising rectification, and making recommendations and opinions on the Company's money laundering risk management;
- (x) other functions and powers as stipulated by laws, administrative regulations, departmental rules, securities regulatory authority where the Company's Shares are listed and the Articles of Association.

General Manager and Other Senior Management Personnel

The Company shall have one general manager who shall be appointed or dismissed by the Board of Directors. The general manager, executive general manager, deputy general manager, assistant general manager, chief financial officer, secretary of the Board of Directors, technical officer and risk control officer of the Company are senior management personnel of the Company.

The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

- (i) to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board of Directors, and to report his/her works to the Board of Directors;
- (ii) to organize the implementation of the Company's annual business plans and investment plans;
- (iii) to draft plans for the establishment of the Company's internal management organization;
- (iv) to draft the Company's basic management system;
- (v) to formulate the specific rules and regulations of the Company;
- (vi) to propose to the Board of Directors appointment or dismissal of senior management personnel such as executive general manager, deputy general manager, assistant general manager, Head of finance of the Company;
- (vii) to decide on the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the Board of Directors;
- (viii) such other functions and powers conferred by the Articles of Association or the Board of Directors.

The general manager shall attend the Board meeting.

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FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

Incorporation

Our Company was established as a limited liability company in the PRC on July 25, 2011 and was converted into a joint stock limited company on May 16, 2017 under the laws of the PRC. As of the Latest Practicable Date, the registered capital of the Company was RMB360,000,000.

Our place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong on April 24, 2024. Mr. CHUNG Ming Fai has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As our Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix V and VI, respectively.

Changes in Share Capital

There has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

Upon completion of the [REDACTED], without taking into account any H Shares which may be issued pursuant to the [REDACTED], our registered share capital will be increased to RMB[REDACTED], comprising [REDACTED] Domestic [REDACTED] Shares and [REDACTED] H Shares to be issued and sold under the [REDACTED] and converted from the Domestic [REDACTED] Shares, representing approximately [REDACTED]%, and [REDACTED]% of our registered capital, respectively.

Resolutions of our Shareholders

At the general meeting of the Shareholders held on April 20, 2024, the following resolutions, among other things, were duly passed:

- (a) the issue by our Company of H Shares with a nominal value of RMB1.00 each and such H Shares be [REDACTED] on the Hong Kong Stock Exchange;
- (b) the number of H shares to be issued shall be no more than [REDACTED]% of the total issued share capital of our Company as enlarged by the [REDACTED] before the exercise of the Over-allotment Option, and the grant of the [REDACTED] in respect of no more than [REDACTED]% of the number of H Shares issued pursuant to the [REDACTED];

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- (c) subject to the CSRC’s approval, upon completion of the [REDACTED], [REDACTED] Domestic [REDACTED] Shares will be converted into H Shares on a one-for-one basis;
- (d) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [REDACTED], the issue and the [REDACTED] of H Shares on the Hong Kong Stock Exchange; and
- (e) subject to the completion of the [REDACTED], the conditional adoption of the revised Articles of Association, which shall become effective on the [REDACTED].

Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountant’s Report as set out in Appendix I to this document. Save as disclosed below, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this Document.

- On November 16, 2023, Fuiou Global Holdings Company Limited (富友環球控股有限公司) was incorporated in Hong Kong with issued share capital of HKD100,000.
- On December 26, 2023, the issued share capital of Fuioupay Technology Service Pte. Ltd. was increased from SGD 4,856,617 to SGD 7,522,464.93.
- On January 9, 2024, Fuiou Merchants Services Company Limited (富友商務有限公司) was incorporated in Hong Kong with issued share capital of HKD100,000.
- On February 27, 2024 the issued share capital of Mega Team Technology Limited (百盟科技有限公司) was increased from HKD10,000 to HKD12,000,000.
- On March 6, 2024, Easy Cash Information Technology Co., Limited (香港明獻信息科技有限公司) was incorporated in Hong Kong with issued share capital of HKD10,000.
- On April 24, 2024, the registered capital of Shanghai Mingxian was increased from RMB36,000,000 to RMB40,000,000.
- On April 24, 2024, the registered capital of Shanghai Fuqun Technical Services Co., Ltd. (上海富群技術服務有限公司) was increased from RMB10,000,000 to RMB11,120,000.
- On December 20, 2024, Hunan Zhifu Information Technology Co., Ltd. (湖南智富信息科技有限公司) was incorporated in the PRC with issued share capital of RMB5,000,000.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) the termination agreement dated April 17, 2024 entered into among Jinggangshan Tomorrow Eternal Consulting Management Partnership (Limited Partnership) (井岡山明天永恆諮詢管理合夥企業(有限合夥)) (“**Jinggangshan Tomorrow**”), the Company and Fuiou Group, pursuant to which the parties agreed to terminate and amend the special shareholders rights granted to Jinggangshan Tomorrow as further disclosed in “History, Development and Corporate Structure – Pre-[REDACTED] Investments” in this document;

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- (b) the termination agreement dated April 17, 2024 entered into among LOU Shunming (樓順明), the Company and ZHU Zibin (朱子彬), pursuant to which the parties agreed to terminate and amend the special shareholders rights granted to LOU Shuming as further disclosed in “History, Development and Corporate Structure – Pre-[REDACTED] Investments” in this document;
- (c) the termination agreement dated April 18, 2024 entered into among NI Xiaoqiang (倪孝強), the Company and Fuiou Group, pursuant to which the parties agreed to terminate the special shareholders rights granted to NI Xiaoqiang as further disclosed in “History, Development and Corporate Structure – Pre-[REDACTED] Investments” in this document;
- (d) the agreement dated April 23, 2024 entered into among CHEN Zhaoyang (陳兆陽), Fuiou Group and the Company, pursuant to which the parties agreed to terminate and amend the special shareholders rights granted to CHEN Zhaoyang and Fuiou Group agreed to acquire 2,394,929 Shares held by CHEN Zhaoyang as further disclosed in “History, Development and Corporate Structure – Pre-[REDACTED] Investments” in this document;
- (e) the agreement dated April 28, 2024 entered into among Ningbo Meishan Free Trade Port Zhefu Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區哲富股權投資合夥企業(有限合夥)) (“**Ningbo Zhefu**”), Fuiou Group and the Company, pursuant to which the parties agreed to terminate and amend the special shareholders rights granted to Ningbo Zhefu and Fuiou Group agreed to acquire 5,211,963 Shares held by Ningbo Zhefu as further disclosed in “History, Development and Corporate Structure – Pre-[REDACTED] Investments” in this document;
- (f) the share transfer agreement dated April 30, 2024 entered into among Shanghai Qingyi Investment Center (Limited Partnership) (上海擎儀投資中心(有限合夥)) (“**Shanghai Qingyi**”), Fuiou Group, the Company and CHEN Jian (陳建), pursuant to which the parties agreed to terminate and amend the special shareholders rights granted to Shanghai Qingyi and Fuiou Group agreed to acquire 18,211,963 Shares held by Shanghai Qingyi as further disclosed in “History, Development and Corporate Structure – Pre-[REDACTED] Investments” in this document;
- (g) the share transfer agreement dated April 30, 2024 entered into among JIANG Weiqian (蔣薇茜), Fuiou Group, the Company and CHEN Jian (陳建), pursuant to which the parties agreed to terminate and amend the special shareholders rights granted to JIANG Weiqian and Fuiou Group agreed to acquire 4,000,000 Shares held by JIANG Weiqian as further disclosed in “History, Development and Corporate Structure – Pre-[REDACTED] Investments” in this document; and
- (h) the [REDACTED].

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Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to our business:

No.	Trademark	Place of registration	Registered owner	Category	Registration number	Validity Period
1.		PRC	Our Company	36	12921978	From December 28, 2014 to December 27, 2034
2.		PRC	Our Company	9	13218688	From December 28, 2014 to December 27, 2034
3.		PRC	Our Company	38	13219070	From January 7, 2015 to January 6, 2035
4.		PRC	Our Company	42	13219460	From January 7, 2015 to January 6, 2035
5.		PRC	Our Company	35	13218893	From January 14, 2015 to January 13, 2035
6.		PRC	Our Company	9	72923734	From January 14, 2024 to January 13, 2034
7.		PRC	Our Company	38	72926777	From January 14, 2024 to January 13, 2034
8.		PRC	Our Company	36	72931898	From January 14, 2024 to January 13, 2034
9.		PRC	Our Company	42	72931905	From January 14, 2024 to January 13, 2034
10.		PRC	Our Company	38	80488484	From February 14, 2025 to February 13, 2035

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Copyright

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be material to our business:

No.	Copyright	Registered owner	Registration number	Date of registration
1.	Fuiou Manager Merchant Edition Software (富友富掌櫃商戶版軟件)	Our Company	2021SR1766232	November 17, 2021
2.	POS Transaction Processing Systems Software (POS交易處理系統軟件)	Our Company	2011SR093839	December 12, 2011
3.	Fuiou Manager Cashier Software (offline version) (富友富掌櫃收銀軟件(離線版))	Our Company	2021SR1766837	November 17, 2021
4.	Fuiou Terminal QR Code Payment System (富友臺卡掃碼支付系統)	Our Company	2019SR0971379	September 19, 2019
5.	Fuiou Internet Payment Gateway Design Software (富友互聯網支付網關設計方案軟件)	Our Company	2011SR096588	December 16, 2011
6.	Shanghai Fuiou Collection and Payment Business Technical Solution Software V1.0 (上海富友代收付業務技術方案軟件V1.0)	Our Company	2011SR096603	December 16, 2011
7.	Fuiou Mobile Payment App (富友手機移動支付軟件)	Our Company	2017SR078305	March 14, 2017
8.	Fuiou Reconciliation File Parsing System (富友信還對賬文件解析系統)	Our Company	2022SR1121287	August 15, 2022
9.	GlobalPay Cross-Border Payment Settlement System (全球付跨境支付結算系統)	Our Company	2017SR427512	August 7, 2017
10.	Fuiou Cross-Border E-commerce Foreign Exchange Payment Platform Software (富友跨境電商結匯支付平台軟件)	Our Company	2019SR0971611	September 19, 2019
11.	Fuiou Cross-Border B2B Collection System (富友跨境B2B收款系統)	Our Company	2021SR1766235	November 17, 2021
12.	Self-Service Weighing System for Dining (重餐系統)	Shanghai Mingxian	2019SR0707447	July 9, 2019

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No.	Copyright	Registered owner	Registration number	Date of registration
13.	Light Meal System (輕餐系統)	Shanghai Mingxian	2019SR0707438	July 9, 2019
14.	Fuiou Manager Cashier Software (富掌櫃收銀軟件)	Shanghai Mingxian	2021SR0710881	May 18, 2021
15.	Fuiou Wealth Management System (富友富管家系統)	Our Company	2020SR1516856	October 22, 2020
16.	Fuiou Business Capital Software (富友生意金業務軟件)	Our Company	2023SR1666342	December 18, 2023
17.	Fuiou Fund Business Operation Platform Software (富友基金業務操作平台軟件)	Our Company	2018SR002920	January 2, 2018
18.	Virtual Account System Software (虛擬賬戶系統軟件)	Our Company	2011SR093836	December 12, 2011
19.	Shanghai Fuiou Prepaid Card Management System Software (上海富友預付卡管理系統軟件)	Our Company	2017SR079528	March 15, 2017
20.	Shanghai Fuiou Risk Management System (上海富友風險管理系統)	Our Company	2017SR078313	March 14, 2017
21.	Shanghai Fuiou Merchant Service System (上海富友商戶服務系統)	Our Company	2017SR078325	March 14, 2017
22.	Super Remittance System (超級代發系統)	Our Company	2017SR423417	August 4, 2017
23.	Fuiou Distributed Dispatch Monitoring and Alert Service Software (富友分佈式調度監控預警服務軟件)	Our Company	2019SR0964256	September 17, 2019
24.	Fuiou Cross-Border Offshore Foreign Exchange Software (富友跨境支付離岸換匯軟件)	Our Company	2020SR1516860	October 22, 2020
25.	Fuiou Payment Service Software (富友繳費通軟件)	Our Company	2020SR1516067	October 22, 2020
26.	Fuiou Payment Service Software (富友繳費通軟件)	Our Company	2021SR1779570	November 18, 2021

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Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

No.	Patent Name	Patent Type	Patent Owner	Place of registration	Patent number	Application date
1.	A Cloud-Based POS Terminal and Its Implementation Method Based on Smart Devices and Applications (一種基於智能設備和應用的雲POS終端及其實現方法)	Invention	Our Company	PRC	ZL201410022933.0	January 17, 2014
2.	A Mobile Terminal Payment Method and System Implementing Magnetic Payment Functionality (實現有磁支付功能的移動終端支付方法及系統)	Standard Invention	Our Company	Hong Kong PRC	HK1140298 ZL200810039484.5	June 25, 2008 June 25, 2008
3.	A Virtual Account Transaction Management Method and System Based on Dynamic Control (一種基於動態控制的虛擬賬戶交易管理方法及系統)	Invention	Our Company	PRC	ZL202210874096.9	July 25, 2022
4.	A Data Hierarchical Storage and Query Method and System Using High-Frequency Database (高頻庫和使用高頻庫的數據分級存儲和查詢方法和系統)	Invention	Our Company	PRC	ZL202310889561.0	July 20, 2023
5.	Method, Device, and System for Data Synchronization Based on Message Queue and Microservices (基於消息隊列及微服務的數據同步方法、裝置及系統)	Invention	Our Company	PRC	ZL202011068767.X	October 9, 2020
6.	A Risk Control System and Method Based on Pre-synchronization Processing and Post-asynchronous Processing (基於事前同步處理和事後異步處理的風控系統和方法)	Invention	Our Company	PRC	ZL20201152262.1	October 26, 2020
7.	Mobile financial terminal monitoring system and method based on mobile base station positioning technology (基於移動基站定位技術的移動金融終端監控系統及方法)	Invention	Our Company	PRC	ZL20131064820.2	February 28, 2013

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Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or material to our business:

No.	Domain names	Registered owner	Registration number	Approval date
1.	fuioupay.com	Our Company	滬ICP備11036396號-1	March 22, 2019
2.	mxipos.com	Shanghai Fuqun Technical Services Co., Ltd.	滬ICP備20023155號-2	February 9, 2022

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Particulars of the Service Contracts

Each of the Directors and Supervisors [entered into] a service contract or appointment letter with our Company. The principal particulars of these service contracts and appointment letters comprise (i) the terms of the service and (ii) termination provisions in accordance with their respective terms. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts as a director or supervisor with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Directors’ and Supervisors’ Remuneration

For details of the remuneration of Directors and Supervisors, see “Directors, Supervisors and Senior Management – Remuneration of Directors, Supervisors and Senior Management” and Note 14 to “Appendix I – Accountant’s Report.”

Share Incentive Plan

We have established a share incentive plan (the “**Plan**”) in November 2021 to attract and retain the talents and to provide incentives to employees of our Group and talents who have made contribution to the development of our Group, for long-term development of our Company. The Plan was approved and adopted by the general meeting of the Shareholders in November 2021. The terms of the Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

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(a) Shareholding Platform

Shanghai Tianzhifu was established as a limited partnership on November 8, 2021 as our employee incentive platform and indirectly holds the incentive shares through Fuiou Hao as transferred from Dr. Chen Jian to Shanghai Tianzhifu. Dr. Chen Jian, our executive Director, serves as its general and executive partner. As of the Latest Practicable Date, Shanghai Tianzhifu was owned as to approximately (i) 9.75% by Dr. Chen Jian, (ii) 8.39% by Ms. Zhang Yiqun, our executive Director and chairperson of the Board, (iii) 1.29% by Ms. Cheng Xuelian, our board secretary and chief financial officer; (iv) 1.19% by Ms. Wang Hui, our deputy general manager; (v) 0.61% by Mr. Liu Baichuan, our [executive Director], (vii) 9.73% by Mr. Huang Fei, the general manager of Shanghai Mingxian, and (viii) 69.04% by 31 employees of our Group, each an Independent Third Party.

The incentive participants under the Plan would be granted partnership interest of Shanghai Tianzhifu (the “**Award**”), a limited partner of Fuiou Hao, and become limited partners of Shanghai Tianzhifu and hence be indirectly interested in the incentive shares held by Fuiou Hao in our Company.

(b) Administration

The Plan shall be reviewed and approved by the Board and Shareholders’ general meeting. Subject to authorization from the Shareholders’ general meeting, the Board shall be responsible for the amendment and explanation of the Plan.

Shanghai Tianzhifu as the employee incentive platform is managed by its general and executive partner (the “**Executive Partner**”), Dr. Chen Jian, including but not limited to determining the grant, administration, repurchase, disposal, change and termination of the Awards.

(c) Participants

The participants of the Plan (“**Participants**”) shall be an employee of our Group who serves as Directors, senior management and managements at mid-level or above, core business cadres whom should be incentivized as deemed by our Group, excluding independent Directors, Supervisors and Shareholders who individually or collectively hold more than 5% of our Company’s share capital.

(d) Term and Lock-up

The Plan took effect from November 2021 and is valid until dissolution of the Company or Fuiou Hao and other termination events as provided under the Plan.

The Award granted under the Plan shall be subject to a lock-up period until completion of the [REDACTED] of the Company (“[REDACTED]”). If the securities regulatory authorities or stock exchanges require a lock-up period for the Participant after the completion of the [REDACTED], the Award held by the Participants shall be subject to lock-ups in accordance with applicable regulatory requirements. After the completion of the [REDACTED], if the Participant is a Director or senior management of our Company, he/she shall not transfer more than 25% of his/her shareholding in our Company in each year of his/her tenure of office.

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After the expiration of the lock-up period of the Plan, the eligible Participants are entitled to apply to the Executive Partner for disposal of the Award. The Executive Partner will (i) acquire or designate a person or an entity to acquire the Award, or (ii) procure Fuiou Hao to transfer, based on the application of the Participants, the corresponding number of incentive shares in accordance with the Plan.

(e) Shares under the Plan

A total of 5,332,900 incentive shares have been granted under the Plan. Immediately following completion of the [REDACTED], the aggregate number of shares underlying the Plan will remain as 5,332,900, representing [REDACTED]% of the total issued Shares (without taking into consideration the exercise of [REDACTED]). As a result, the Plan will not cause any dilution of the shareholding of our Shareholders immediately after the [REDACTED]. For further details on the interest of our connected persons granted under the Plan, please refer to the partnership interest of the Share Platform in the section headed “– Share Incentive Plan – (a) Shareholding Platform” above.

DISCLOSURE OF INTERESTS

Substantial Shareholders

Save as disclosed below and in the section headed “Substantial Shareholders” in this document, as of the Latest Practicable Date, our Directors were not aware of any other person, who had an interest or short position in the Shares and underlying Shares of our Company, which following the completion of the [REDACTED], would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company or any member of our Group.

Interests of substantial shareholders in other members of our Company

Our subsidiary	Registered capital	Name of shareholder	Approximate percentage of shareholding
Fuiou Global Holdings Company Limited (富友環球控股有限公司)	HKD100,000	JanRich Tech International Limited (錦富國際有限公司)	30%
Shanghai Mingxian	RMB40,000,000	Shanghai Licun Commercial Management Center (Limited Partnership) (上海力存商業管理中心(有限合伙))	10%
Shanghai Fuqun Technical Services Co., Ltd. (上海富群技術服務有限公司)	RMB11,120,000	Hong Kong Alliance Win Limited (香港聯贏有限公司)	10%
Hunan Zhifu Information Technology Co., Ltd. (湖南智富信息科技有限公司)	RMB5,000,000	Zeng Ling (曾令)	30%

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Directors, Supervisors or Chief Executives

Immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the interests and/or short positions of our Directors, Supervisors and chief executive in our Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interest in our Company

Name of Director, Supervisor or Chief Executive	Nature of Interests	Number of Shares ⁽¹⁾	Approximate percentage of Shareholding following the completion of the [REDACTED]	
			In the relevant class of shares	In the total issued share capital of our Company
Dr. Chen Jian	Interest in a controlled corporation ⁽²⁾	[REDACTED] H Shares	[REDACTED]	[REDACTED]
	Interest of spouse ⁽³⁾	[REDACTED] H Shares	[REDACTED]	[REDACTED]
Mr. Fu Xiaobing	Interest in a controlled corporation ⁽⁴⁾	[REDACTED] H Shares	[REDACTED]	[REDACTED]
Mr. Tao Weibin.	Beneficial owner	[REDACTED] H Shares	[REDACTED]	[REDACTED]

Notes:

- (1) All interests are long positions.
- (2) As of the Latest Practicable Date, Dr. Chen Jian is the general partner of Fuiou Hao, and therefore is deemed to be interested in the Shares held by Fuiou Hao in our Company.
- (3) Dr. Chen Jian and Ms. Cai Meizhen are spouses. Therefore, under the SFO, Dr. Chen Jian is deemed to be interested in the Shares of our Company held by Ms. Cai Meizhen.
- (4) As of the Latest Practicable Date, Mr. Fu Xiaobing is the general partner of Shanghai Tianzi, and therefore is deemed to be interested in the Shares held by Shanghai Tianzi in our Company.

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Save as disclosed above, none of the Directors, Supervisors or the chief executive of the Company will, immediately following completion of the [REDACTED], has any interests and/or short positions in the Shares, underlying Shares and debentures of our Company’s associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Disclaimers

- (a) Save as disclosed in the section headed “History, Development and Corporate Structure,” none of the Directors nor any of the experts referred to in “– Other Information – Qualifications and Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) Save in connection with the [REDACTED] Agreements, none of the Directors nor any of the experts referred to in “– Other Information – Qualifications and Consents of Experts” below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.
- (c) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this document to any promoter of the Company nor is any such cash securities or benefit intended to be paid, allotted or given on the basis of the [REDACTED] or related transactions as mentioned.
- (d) Save as disclosed in the section headed “Business”, none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

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OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Group.

Litigation

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

Joint Sponsors

The Joint Sponsors have made an application on our behalf to the [REDACTED] for the [REDACTED] of, and permission to [REDACTED], our Shares in issue, our Shares to be issued pursuant to the [REDACTED] (including any Shares which may fall to be issued pursuant to the exercise of the [REDACTED]).

Each of the Joint Sponsors has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letters entered into between the Company and the Joint Sponsors, a total sponsors’ fee paid and payable to the Joint Sponsors to act as the joint sponsors of our Company in connection with the proposed [REDACTED] on the Hong Kong Stock Exchange is approximately US\$1,055,277.9.

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Qualifications and Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
CITIC Securities (Hong Kong) Limited	Licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
Shenwan Hongyuan Capital (H.K.) Limited	Licensed corporation to conduct Type 1 (dealing in securities) Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
BDO Limited	Certified Public Accountants
Grandall Law Firm (Shanghai)	Legal advisor to the Company as to PRC law
Grandall Law Firm (Beijing)	Legal advisor to the Company as to PRC data compliance law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
BDO Risk Advisory Services Limited	Independent internal control consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Binding Effect

This Document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

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STATUTORY AND GENERAL INFORMATION

Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Promoters

The promoters of our Company are Fuiou Group and Shanghai Tianzi. For details of the promoters of our Company, please see “History, Development and Corporate Structure” of this document.

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the [REDACTED] or the related transactions described in this document.

Compliance Adviser

Our Company has appointed Caitong International Capital Co., Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

Preliminary Expenses

The Company did not incur material preliminary expenses for the purpose of the Listing Rules.

No Material Adverse Change

The Directors confirm that there has been no material change in our financial or trading position since December 31, 2024.

Miscellaneous

- (a) Save as disclosed in “Changes in Share Capital” above, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

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- (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.
- (b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (d) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.
- (e) Save as disclosed in the paragraph headed “Further Information about our Business – Summary of Material Contracts” in this section, none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group. Save as disclosed in this document, no equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any [REDACTED] or permission to deal being or proposed to be sought.
- (f) Our Company has no outstanding convertible debt securities or debentures.
- (g) There is no arrangement under which future dividends are waived or agreed to be waived.
- (h) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the written consents referred to in “Appendix VII – Statutory and General Information – Other Information – Qualifications and Consents of Experts”; and
- (b) a copy of each of the material contracts referred to in “Appendix VII – Statutory and General Information – Further Information about our Business – Summary of Material Contracts”.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.fuioupay.com during a period of 14 days from the date of this document:

- 1. the Articles of Association;
- 2. the Accountant’s Report prepared by BDO Limited, the text of which is set forth in Appendix I to this document;
- 3. the audited consolidated financial statements of our Company for the financial years ended December 31, 2022, 2023 and 2024;
- 4. the report from BDO Limited on the unaudited [REDACTED] financial information of our Group, the text of which is set forth in Appendix II to this document;
- 5. the material contracts in “Appendix VII – Statutory and General Information – Further Information about our Business – Summary of Material Contracts”;
- 6. the written consents referred to in “Appendix VII – Statutory and General Information – Other Information – Qualifications and Consents of Experts”;
- 7. the service contracts referred to in “Appendix VII – Statutory and General Information – Further Information about our Directors, Supervisors, Management and Substantial Shareholders – Service Contracts”;
- 8. the legal opinions issued by Grandall Law Firm (Shanghai), our PRC Legal Advisor, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;

APPENDIX VIII	DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY
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9. the PRC legal opinion issued by Grandall Law Firm (Beijing), our legal adviser on PRC data compliance law, in respect of PRC data compliance law;
10. the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed “Industry Overview” in this document;
11. the letter and valuation certificate in relation to the property interest of our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this document;
12. the internal control report issued by BDO Risk Advisory Services Limited on the internal control of our Group;
13. the terms of the Share Incentive Plan; and
14. a copy of the PRC Company Law, PRC Securities Law and Trial Measures together with their unofficial English translations